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# World Financial Markets

*Morgan Guaranty Trust Company of New York*

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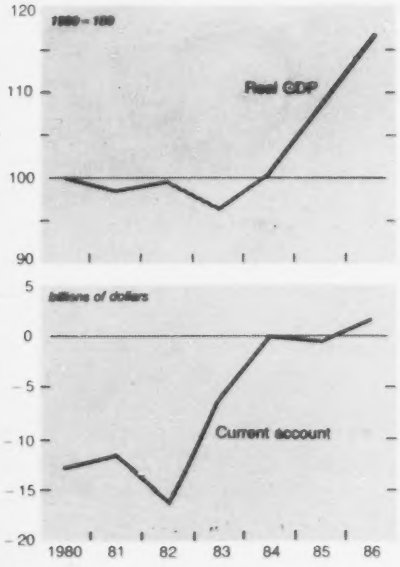
Chart 1

*Real GDP and current account*




## *Brazil: beyond the Cruzado Plan*

Enthusiasm for Brazil — at times, bordering on the uncritical — has surged since it adopted the Cruzado Plan last February to halt the country's seemingly inexorable drift into hyperinflation. The rave notices contrast sharply with the negativism pervading much international commentary on Mexico and other Latin American countries. The Plan has worked wonders for the inflation figures so far. Moreover, the economy has rebounded from its recession lows of 1983 into veritable boom during the past eighteen months: real GDP growth exceeded 8% last year (see Chart 1) and industrial production in the first half of 1986 was up 12% from the year-earlier period. Indeed, the nation's per capita income could soon surpass its pre-debt crisis peak. On the external side, Brazil is headed for surplus on current account both this year and next. Not only is the country a prime beneficiary of the lowest international oil prices and interest rates in a decade, it also is enjoying the fruits of its own long-standing efforts at export promotion and import substitution. Brazil notched up a trade surplus of $7.2 billion for the first seven months of 1986, helping to carry the central bank's foreign exchange reserves to an all-time high and, for the third year in a row, fully covering the interest on its foreign debt of some $106 billion.

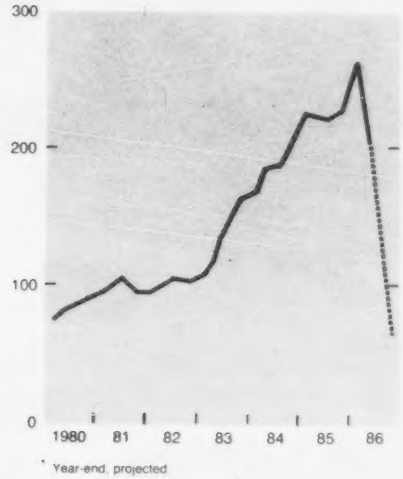
These economic achievements, plus the successful transition from military rule to a democracy with stable political prospects, provide Brazil a twofold opportunity: to develop for the medium term a sustainable combination of fast economic growth and low inflation; and to be the first Latin American country to recover normal access to the international capital markets.

Still, there are distinct risks that the opportunity will be allowed to slide. The near-stability of prices during the now six-month-old freeze is no guarantee that inflation will not surge anew once it is lifted. In preparation for that day, it is therefore both urgent and essential that the government exercise greater restraint than is yet apparent in wage, monetary, and spending policies.

Besides near-term inflationary risk, the consumption boom that powers Brazil's economic recovery at present is unlikely to elicit the increase in domestic savings and investment that sustained growth requires. There is no good substitute for supply-side reforms to curb government spending and the reach

Chart 2

**Consumer prices**
*percent change from year earlier*




* Year-end, projected

Table 1

**Real GDP growth**
*percent change*

| | 1983 | 1984 | 1985 | Proj. 1986 |
|---|---|---|---|---|
| Total | —3.2 | 4.5 | 8.3 | 7 |
| Consumption | —4.1 | 2.7 | 8.7 | 8 |
| Investment | —11.1 | —1.0 | 7.9 | 8 |
| Exports | 14.6 | 22.1 | 1.0 | 2 |
| Imports | —16.4 | —6.9 | —10.0 | 20 |
| Industry | —6.2 | 6.0 | 9.0 | 10 |
| Agriculture | 2.2 | 3.2 | 8.8 | —6 |
| Services | —2.4 | 4.0 | 7.9 | 8 |

Table 2

**Trade balance**
*billions of dollars*

| | 1980 | 1982 | 1985 |
|---|---|---|---|
| Total | —2.82 | 0.78 | 12.47 |
| Petroleum | —9.36 | —8.61 | —3.92 |
| Machinery | —1.69 | —1.22 | 0.20 |
| Metals | —0.29 | 0.40 | 2.49 |
| Chemicals | —2.34 | —0.96 | —0.35 |
| Plastics and rubber | —0.21 | —0.01 | 0.33 |
| Shoes | 0.41 | 0.52 | 0.97 |
| Foodstuffs | 7.37 | 6.53 | 8.38 |
| Other | 3.29 | 4.13 | 4.37 |

of state enterprise, deregulate the private sector, and open the economy to foreign competition. Such reforms could do much to ensure that scarce domestic savings are used efficiently: to produce goods and services competitive in the world marketplace. Reforms also would boost confidence in Brazil among both Brazilian entrepreneurs and potential foreign investors and lenders. The investment climate would be further enhanced by concrete progress on Brazil's part to negotiate a stretch-out of foreign debt maturities, regain access to bilateral official credit, and reduce its overall level of debt through repayments and market-based conversions into equity.

### *Key accomplishments*

Brazil's Cruzado Plan, named for its redenominated currency, resembles the anti-inflation programs implemented by Argentina and Israel a year ago. Before the Plan's unveiling, inflation had been Brazil's most conspicuous problem to defy solution. Indeed, it had been on a radically worsening trend. Price increases, kept under 50% per annum during the 1970s, doubled in 1980-82 and doubled again in 1983-85 (see Chart 2). The government proved unable to respond effectively to supply shocks and cost pressures. Thus it stuck with the custom of widespread indexation and failed to assert coordinated and credible restraint in its monetary, fiscal, and wage policies — even with the IMF's 1983-84 involvement. It was only at the end of February this year, after inflation threatened to spiral beyond the previously established 200%-300% range, that the authorities acted with courage.

The Plan prescribed a price freeze, a one-time nominal wage adjustment, an end to currency devaluation vis-à-vis the dollar, and abolition of indexation for financial instruments with maturities of less than one year (with the exception of passbook savings accounts). It further offered a pledge to balance the government budget and pursue a noninflationary monetary policy. So far, the Plan has virtually halted inflation: in its first five months, March through July, the cost of living rose by a cumulative 4.6% — the lowest in decades. Everyone in the private sector has had to adapt to life without inflation, not least by cutting costs and improving productivity. The hope is that mind-sets will shift toward permanently lower inflation expectations before the inevitable removal of the straitjacket the Plan now provides.

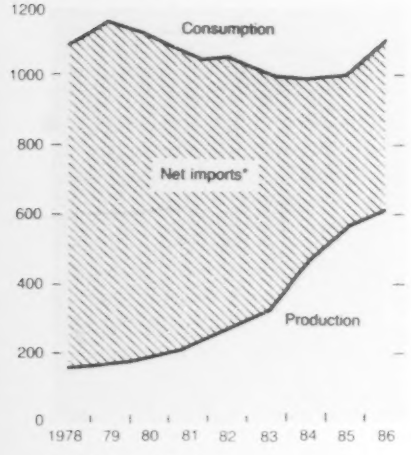
Aside from this year's seeming breakthrough on inflation, Brazil's most notable accomplishments during the past four years have been its recovery of fast economic growth and the turnaround in its external trade and current accounts. They are intimately related: had the current account failed to improve, from a deficit of over $16 billion in 1982 to a small surplus by the second quarter of 1984, Brazil's recovery from the 1981-83 recession might well have been deferred indefinitely. Instead, improving net exports cushioned weakening consumer and investment spending in 1983 and got recovery started in 1984, when real GDP rose 4½% (see Table 1). Expanding domestic demand then pushed GDP growth to 8.3% in 1985. This year's growth could run to 7%, thanks in part to a windfall income gain of over 1½% of GDP provided by the drop in world oil prices and interest rates.

Brazil's trade gains have occurred across the board (see Table 2), reflecting an import substitution and export promotion drive begun in the 1970s, a strongly competitive exchange rate since early 1983 and,

Chart 3

*Petroleum demand and supply*

*thousands of bpd*

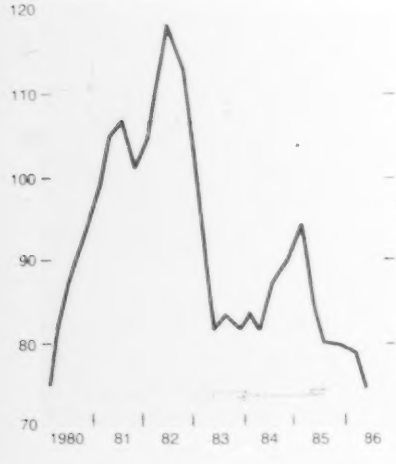



*Including inventory changes

Chart 4

*Real effective exchange rate*

*1980-82 = 100*




more recently, the oil-price collapse. Although questions may be raised about its long-term economics and the cost in terms of external debt accumulation, import substitution has yielded the largest single benefit to Brazil's overall trade through the oil sector. The nation's net petroleum import bill was slashed from $9.4 billion in 1980 to $3.9 billion by 1985. This was almost wholly due to a 60% cut in net import volume: domestic oil production rose steeply but consumption held steady as demand shifted to alcohol fuel and hydroelectricity (see Chart 3). Petrobrás, the state oil concern, boosted its exploration outlays sharply from 1979 onward. Offshore deposit discoveries enabled output to climb from 170,000 bpd in the 1970s to over 560,000 bpd in 1985 and about 615,000 bpd this year. Oil consumption now is on the rise again. It could be 100,000 bpd higher this year than last, raising net import volume at least 10%. Even so, the price collapse should cut Brazil's net petroleum import bill to little over $2 billion — the lowest since 1973.

Brazil's other significant trade gains have arisen in sectors targeted many years ago for import substitution or export promotion, enjoying tariff protection, tax concessions, and credit subsidies. Incentives were greatly reinforced by the sizable cruzeiro devaluation against the dollar in February 1983 and the subsequent daily adjustment of the exchange rate in line with domestic inflation, a policy followed until this past February. On an inflation-adjusted, trade-weighted basis, the cruzeiro was 15% more competitive on average during 1983-85 than in the previous three years.* And today, because of dollar depreciation, the cruzado is 25% more competitive than was its predecessor in 1980-82 (see Chart 4).

Sectoral trade balances tell the story. Lower imports eliminated the machinery deficit in 1984. Of course, since internal demand for capital goods now is returning to more normal, pre-1982 levels, Brazil is unlikely to hold onto its trade balance improvement here, nor is it especially desirable that the country should do so. The improvements in other targeted sectors look more durable. Net exports of iron and steel surpassed $2 billion in both 1984 and 1985, versus a mere $400 million in 1980. Aluminum, which was imported until 1981, now is exported. And import dependence for other metals has greatly diminished. Net imports of chemicals have plummeted 85% since 1980, for annual savings of $2 billion. The trade deficit in plastics and rubber has turned into surplus. And net exports of shoes have more than doubled since 1980.

In all, Brazil is accomplishing steady product diversification of its exports. Traditional commodities are becoming less prominent, while manufactures account for a growing share of the total. Their share, which was less than 30% a decade ago, rose to 45% in 1980 and reached 55% by 1985 (see Table 3). Geographic market diversification is a different story (see Table 4). Although Europe still absorbed the largest share of Brazil's total exports last year, the United States has become by far the principal buyer of Brazilian manufactures exports, taking about two-fifths. Indeed, Brazil's overall export gains owe much to the strong growth of U.S. domestic demand. By contrast, during 1980-85 Brazil managed

*Exchange-rate adjustments were made against the dollar in lockstep with changes in an index of general inflation incorporating consumer, wholesale, and construction prices. During late 1984 and early 1985, the dollar strengthened and manufactures prices — used in the calculation of inflation differentials between Brazil and its trading partners — rose much more rapidly than prices of foodstuffs and services. Therefore, Brazilian industry lost competitiveness during this period as shown in Chart 4.

Table 3

### Composition of exports

| | Billions of dollars | | | 1985, % of total |
|---|---|---|---|---|
| | 1980 | 1982 | 1985 | |
| Total | 20.1 | 20.2 | 25.6 | 100.0 |
| Manufactures | 9.0 | 10.3 | 14.1 | 54.9 |
| Processed commodities | 2.4 | 1.4 | 2.8 | 10.7 |
| Raw commodities | 8.5 | 8.2 | 8.5 | 33.3 |
| Other | 0.3 | 0.3 | 0.3 | 1.1 |

Table 4

### Destination of exports

| | Billions of dollars | | | 1985, % of total |
|---|---|---|---|---|
| | 1980 | 1982 | 1985 | |
| Total | 20.1 | 20.2 | 25.6 | 100.0 |
| United States | 3.5 | 4.0 | 6.8 | 26.5 |
| Europe | 6.6 | 6.3 | 7.4 | 28.9 |
| Japan | 1.2 | 1.3 | 1.4 | 5.4 |
| OPEC | 1.5 | 1.9 | 2.6 | 10.1 |
| Latin America* | 3.2 | 2.3 | 1.8 | 7.1 |
| Eastern Europe | 1.3 | 1.2 | 1.0 | 3.9 |
| China | 0.1 | 0.1 | 0.8 | 3.2 |
| Other | 2.7 | 3.1 | 3.8 | 14.9 |

*Ecuador and Venezuela included in OPEC.

scant export gains to Europe and Japan, whose domestic markets were sluggish and import growth minimal — aggravated, in Europe's case, by stiffening trade restrictions; Brazil's sales to Latin America and Eastern Europe fell steadily; increased exports to OPEC members depended on countertrade or Brazilian export credits; and it was too soon for the Chinese market to absorb Brazil's goods on a large scale, whatever that market's future promise.

Also, Brazil is benefiting enormously from the fall in international interest rates, given that 80% of the nation's $95 billion medium- and long-term external debt is priced on a floating-rate basis, as is virtually its entire $11 billion short-term debt. Gross interest payments, which peaked at $12.6 billion in 1982, should be less than $9 billion in 1986 (see Table 5). If LIBOR and other market interest rates remain unchanged, Brazil's interest bill could fall to $7½ billion next year — no higher than in 1980. Since fast-rising non-oil imports mean that the trade surplus is running barely higher than last year's $12½ billion, it is the drop in interest payments that promises to shift Brazil's current account position from rough balance in 1984-85 to surpluses of $1½ billion to $2 billion in 1986 and 1987.

Table 5

### Current account

billions of dollars

| | | | | | | Projected | |
|---|---|---|---|---|---|---|---|
| | 1980 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
| Merchandise exports | 20.1 | 20.2 | 21.9 | 27.0 | 25.6 | 26.7 | 29.0 |
| Merchandise imports | —23.0 | —19.4 | —15.4 | —13.9 | —13.2 | —13.7 | —16.5 |
| Trade balance | —2.8 | 0.8 | 6.5 | 13.1 | 12.5 | 13.0 | 12.5 |
| Oil | —9.4 | —8.6 | —6.8 | —4.8 | —3.9 | —2.3 | —3.0 |
| Non-oil | 6.6 | 9.4 | 13.3 | 17.9 | 16.4 | 15.3 | 15.5 |
| Interest receipts | 1.1 | 1.2 | 0.7 | 1.2 | 1.5 | 1.1 | 1.0 |
| Interest payments | —7.5 | —12.6 | —10.3 | —11.4 | —11.1 | —8.9 | —7.4 |
| Other services and transfers, net | —3.6 | —5.7 | —3.7 | —2.9 | —3.2 | —3.7 | —4.4 |
| Current account | —12.8 | —16.3 | —6.8 | 0.0 | —0.3 | 1.5 | 1.7 |

### *Problems of demand management*

Brazil has much to do over the coming months to ensure that inflation remains low and to set the basis for self-sustaining economic growth in the years ahead. The most immediate challenges concern demand management. Without demand restraint, market prices for goods and services could rise far above freeze levels. The more time passes before effective restraint is exercised, the tougher it will have to be.

Brazil's struggle to keep inflation low has only just begun. The price freeze — centerpiece of the Cruzado Plan — shows signs of crumbling. When the freeze was imposed, many prices were far from equilibrium, as is typical of runaway inflations in which relative prices vary greatly. The freeze has generated booming demand for such items as milk, meat, gasoline, cars, refrigerators, and television sets, all of which happened to be priced very low by historic standards relative to other items. For example, during the first six months of 1986 51% more refrigerators and 58% more color television sets were sold than in first-half 1985. At the same time, their production was discouraged by the unattractive pricing. Not surprisingly, shortages and distortions have appeared: used car prices, for instance, are higher than the list prices of hard-to-find new cars.

*Wage policy* is not supportive of the freeze, nor of low inflation in the medium term. Before wages were frozen, catch-up increases were decreed for workers whose real pay had fallen behind the average of the preceding six months. In addition, wages were raised generally — minimum wages by 15% and others by 8% above past inflation. These in-

Chart 5

*Real wages and unemployment rate in Greater Sao Paulo*

creases came on top of strong real wage gains in the previous year-and-a-half (see Chart 5). Besides, wages have drifted higher during the freeze period itself. Meanwhile, for quite some time now, unemployment has fallen and there have been substantial employment gains. Coupling with the real wage gains, they have provided a big fillip to consumer real incomes.

Most ominous is the Cruzado Plan's provision to raise wages by the full extent of accumulated inflation if the cost of living rises more than 20%. This trigger clause, providing more prompt and complete wage indexation than existed before February, militates against either a tolerably low, or a reasonably stable, post-freeze rate of inflation. It best would be dropped — and the sooner the better — despite annoyance to organized labor and risk to the government's popularity.

*Monetary policy* has further undermined the price freeze. The authorities were anxious from the start to accommodate the quantum leap in demand for money anticipated in the new environment of near-zero inflation. M1 soared a startling 150% in the first three months of the freeze, from the equivalent of 3.4% of GDP to 8.4%. Unfortunately, much of the step-up in cash demand appears to be transactions-related rather than a permanent jump in demand for cruzados as assets to hold. Indeed, within days of the Cruzado Plan's announcement, Brazilians began to exhibit behavior consistent less with zero actual inflation than with high expected inflation: they rushed to buy durable goods, stocks, dollars, real estate, art works, and the like. The differential between the official and the black-market quotation for dollars, which had stood less than 20% in 1984 and first-half 1985 but which had increased to the 30%-40% range in the uncertainty-wracked weeks before the Plan's unveiling, climbed still higher and continues above 50%.

Recent official actions suggest growing awareness of the pressing case for a policy switch. Since late June, the monetary authorities have placed quantitative limits on consumer credit, allowed market interest rates to move to positive levels on a real after-tax basis, and expressed the view that monetary growth should slow. Whereas M1 rose 15% in June, in July it did not rise at all. Still, since demand for goods, services, and nonmonetary assets remains unusually strong, monetary policy tightening will have to be maintained for quite some time before effective control is recovered.

The expansionary thrust of *fiscal policy* was left unchanged upon introduction of the Cruzado Plan. The authorities believed that a tax increase passed by Congress just three months earlier plus the sudden halt in inflation would provide a major boost to the real value of tax collections relative to GDP. The expected gains were to close a budgetary gap of about 4% of GDP. In fact, the Treasury's current revenues rose a meager 8% in real terms during the first seven months of this year — roughly in line with GDP and disappointingly little in view of the 23% jump in 1985 collections and the continuing strong growth in consumption of heavily taxed items. Tax revenues have been eroded by two ill-timed features of the approved tax bill: a lowered income-tax withholding schedule and an increased reliance on taxation of financial transactions no longer popular now that inflation is so low. Also, revenues at state-owned companies, such as public utilities, are coming in below budget because they were hurt by the price freeze; and, although reliable data are not available, government spending at vari-

ous levels appears to be running higher than anticipated. Consequently, the budgetary gap has not narrowed.

Overspending is Brazil's basic fiscal problem. Three areas merit special mention. First, although production and consumption subsidies were cut a great deal during 1983-84, they have since staged a comeback. The wheat subsidy, which was supposed to have been phased out years ago, is more expensive than ever: for a bumper crop, producers are getting a support price of $242 per ton while consumers are charged $77 per ton. To reduce shortages caused by the price freeze, a subsidy to milk producers has been instituted, foodstuffs are being imported duty-free, and there is pressure to grant tax breaks to other industries experiencing difficulty. And the oil-substitution program provides massive subsidies to sugarcane producers and alcohol fuel consumers now that world oil prices are less than half the program's break-even point of about $35 per barrel.

State-owned companies are a second trouble spot. Their wage bill has been going up in line with the economywide trend and their investment spending has been recuperating from major cuts forced in 1983-84. However, many of their prices were reined in last year in vain attempts to brake inflation and were caught by the freeze at what may be unprofitable levels. The worst situation is faced by Siderbrás, the steel group, which lost $2½ billion last year. Eletrobrás, the electric-energy holding company, was alone in obtaining some price relief right before the freeze but has had to postpone implementation of a new tariff structure to correct more than a decade's underpricing — electricity prices in Brazil are among the lowest in the world, 50%-75% below levels in most industrial countries.

A third problem area is the official sector of the banking system. This consists of giant federally owned commercial, development, and savings banks plus a multitude of state-owned financial intermediaries. All told, the system accounts for nearly 70% of domestic deposits and almost 60% of domestic loans. Prior to the Cruzado Plan, when inflation was in the triple-digits, the commercial banking system enjoyed high profits. Banks had access to funds (notably checking accounts) that were neither indexed nor remunerated, yet they were lent on an indexed, well-compensated basis. Presently that key source of operating profits has greatly diminished. But the fixed costs of deposit-taking continue. Privately owned banks are adjusting by reducing payrolls and closing branches; government-owned banks are not. Between March and June, banks as a whole cut their workforce by over 80,000. But official banks cut less than 5,000, raising questions about their adaptability and potential call on fiscal or monetary support.

These and other expenditure issues must be tackled — firmly and soon — if fiscal policy is to play its part in preventing a burst of inflation after the price freeze expires or disintegrates. True, revenue-raising measures, such as a possible income-tax increase, also would dampen aggregate demand. The government already has imposed new indirect taxes and "compulsory loans." But the chances are that, without visible action on public spending, the now widely held expectation of rising inflation will go unchanged. The authorities then would find themselves ill-equipped to control inflationary behavior and pressure on the currency. Admittedly, adoption of the restrictive policies capable of minimizing inflationary pressures would crimp eco-

nomic growth. Expansionary policies, on the other hand, might delay a slowdown in activity but only at the cost of validating the return of high inflation. This trade-off appears unavoidable in the short run, say, through 1987. Yet, there is much that can be done to assure low inflation in Brazil plus satisfactory economic growth beyond 1987.

### *The dearth of investment*

Brazil's three-year recovery of economic activity is jeopardized, not only by the threat of a price explosion, but also by the increasing pressure of consumer demand on available capacity. Capacity constraints — most obvious in Brazil's industrial sector and in such services as telecommunications and electric power generation — stem from a sharp drop in gross capital formation. This fell from 21½% of GDP during 1980-82 to 16½% of GDP during 1983-85. Firms surveyed in Greater Sao Paulo, which account for nearly 60% of the country's industrial output, report their capacity utilization is fast approaching all-time highs (see Chart 6). Some branches of industry are operating above notional capacity.

The capacity problem only can be solved through increased investment. Yet, Brazil's private sector is inhibited by overriding worries about the role of government in the economy and the direction of government policies. One spur to concern is the political calendar. Acting as a constituent assembly, the Congress to be elected this November is to rewrite the constitution during the course of next year. A first set of proposals, passed by a presidential advisory committee, already is having a chilling effect, since it amounts to a call for even more nationalist, statist development policies. For self-protection, the private sector is moving to see that its voice is heard in the November elections.

In the past, Brazil's development was orchestrated by government planners who gave top priority to massive infrastructure, import-substitution, and natural-resource projects. The projects were carried out mostly by large private and state-owned companies, underwritten by credit subsidies, tax benefits, import protection, and government guarantees on foreign borrowing. But, with few exceptions, expansion of state enterprise is no longer a precondition for future investment growth. Besides, spiraling inflation and a heavy external debt have highlighted the costs of the old approach.

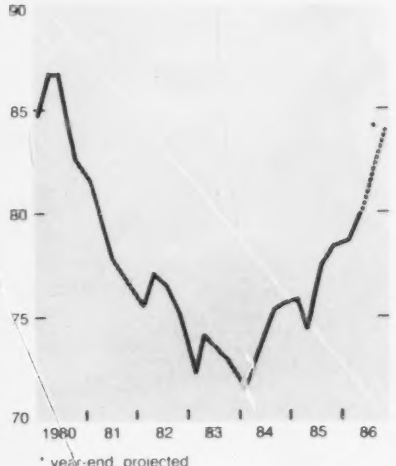
As President Sarney has acknowledged, what Brazil needs most in a new development strategy for the 1990s is room for private initiative guided by correct market signals. He stated in July 1985 that the private sector should play the leading dynamic role in development, unfettered by arbitrary and paternalistic state intervention. He endorsed the widespread desire for drastic cutbacks in the public sector, to shut down inefficient agencies and retain in state hands only those companies essential to governmental functions. He further pledged reduced budgetary imbalances to set the stage for lower interest rates and greater credit availability to the private sector. Later his views were incorporated into a 1986-89 Development Plan approved by Congress.

Subsequent actions have not lived up to the president's expressed desires. Besides the Cruzado Plan's rigid price freeze, which extends the reach of government as never before, there are disappointments aplenty. A new irritant is the recently created National Development Fund, financed by a 25% tax on international airplane tickets and

Chart 6

*Capacity utilization*

*index for industry in Greater Sao Paulo*




* year-end projected

central-bank sales of dollars for tourism abroad plus the proceeds from "compulsory loans" of 28% on gasoline and alcohol fuel and up to 30% on new and used cars. The stated rationale is that the private sector is neither saving nor investing enough, so that government must obtain resources from the well-to-do to carry out social and infrastructural investment.

In last month's draft industrial policy statement, the industry and commerce minister called for design and execution of a program to privatize state-owned industrial companies. Privatization efforts actually go little further than the sale of a small portion of government-held shares in Petrobras, amounting to 5% of its total issue, plus a minority interest in one of its subsidiaries. Even if most major state-run companies remain in the public sector — and this seems to be the present political reality — the authorities would do well to define clear and sensible limits to their activities and prerogatives. For example, the present shortage of telephone capacity would ease most quickly if private firms could participate in this field that the state monopoly now reserves to itself.

Plans to modernize the civil service and reform the administrative apparatus aim to consolidate dozens of decentralized agencies within the central government budget. But they miss the opportunity to prune bureaucracy and interventionism. Both are key sources of risk and uncertainty for the private sector. Brazil's recent "emergency" import of beef to relieve shortages provided a vivid illustration of the bureaucracy at work; the involvement of over twenty separate government agencies caused the beef to arrive inordinately late and in inadequate amount. Of greater significance is the needlessly wide discretion permitted SEI, the government agency charged with interpreting legislation on technology transfer and production or import of computers and other equipment with electronic components. SEI delays and decisions have provoked a chorus of complaints, even from other quarters in the public sector.

Although the cause of deregulation in Brazil generally remains in its infancy, regulatory reform is badly needed. One encouraging development is the authorities' agreement to World Bank conditions for a $500 million agricultural loan that would curtail interventionist pricing, credit extension, and export and import restrictions. The authorities also are attempting to break up the maritime shipping cartel that puts Brazilian manufactures exporters at a competitive disadvantage in world markets by keeping freight charges high.

For efficiency's sake, Brazil must open itself more to competitive forces from abroad by liberalizing commerce in services as well as in goods. With merchandise imports of just $13 billion, of which less than $10 billion are non-oil, Brazil today is one of the world's most closed economies. Its imports run barely over 5% of GDP, decidedly lower than in other countries at a similar stage of development, and low even compared with other large, inward-looking nations such as China and India. Brazil is especially autarkic on technology issues. Foreign patents, copyrights, and other intellectual property rights are inadequately recognized. Moreover, foreign investors in Brazil suffer discrimination through government procurement policies giving preference to companies owned by nationals and through "market reserve" policies — notably, in data processing equipment — that exclude or discourage foreign participation.

Brazil's innumerable impediments to imports, resulting from efforts

over many years to promote self-sufficiency, have given rise to oligopolies in much of its domestic industry. These oligopolies have long exacerbated inflationary behavior. In the absence of import competition, firms often maximize profits by raising prices rather than enforcing cost discipline, even during periods of recession. Currently, import restrictions also are beginning to affect production technology and output quality. Export-minded companies increasingly find themselves unable to import — and, in the case of multinationals, are barred from producing — component parts embodying the modern technology that is the norm in foreign markets. Meanwhile, self-sufficiency in small- and medium-sized computers has meant that equipment made in Brazil costs several times what it does abroad. Moreover, much of the available software is copied or smuggled in. Thus current policies send signals at odds with efficient resource allocation. Private-sector entrepreneurs are diverting their talent and capital to reinvent technological wheels instead of creating jobs and output that exploit Brazil's many comparative advantages.

Brazil's protectionism further jeopardizes its access to foreign markets. Its trading partners — and not just the United States — are loath to take in more Brazilian goods when there is little reciprocity of access to the Brazilian market for their goods, services, and investments. Brazil-U.S. relations are under considerable strain; trade and investment discussions have not led to negotiations, much less concessions. Meanwhile, several U.S. industries — for example, steel and footwear — have filed, and others likely will file, complaints against Brazilian trade practices, seeking relief from imports from Brazil. Besides, the U.S. Congress has become increasingly unfriendly toward Brazil and other countries with large bilateral trade surpluses. Potentially most damaging is a Section 301 "unfair trade" case initiated by the U.S. administration against Brazil's policy on computer imports and technology transfer. Sanctions could be imposed as early as mid-September.

### *Returning to creditworthiness*

The international financial markets are not likely to declare Brazil creditworthy tomorrow. But its return to creditworthiness certainly lies within reach. Brazil's balance of payments adjustment is incomplete, since the turnaround in the current account has not been matched by normalization in the capital account. To instill the necessary confidence among potential foreign lenders and investors, it would be advisable for Brazil to settle outstanding differences with its major creditors and begin to lighten the existing debt burden.

Brazil's attraction to overseas lenders is dimmed by the knowledge that a mammoth volume of previously contracted obligations falls due in the next few years. Recently, an agreement was signed between the government and creditor commercial banks stretching $6.7 billion of 1985 maturities at a reduced spread over a seven-year period. However, $9.5 billion of 1986 maturities were pushed out only one year and the rest of the obligations, falling due at a rate of about $10 billion a year during 1987-89, were not affected. By any reasonable standard, the present maturity schedule cannot be met.

First priority should be given to consolidation of debts owed to the two largest groups of creditors — commercial banks, accounting for $67 billion of Brazil's medium-term obligations; and industrial-country official export credit and aid agen-

*Table 6*

*Foreign direct and portfolio investment*

*billions of dollars*

| | Net investment* | Profit and dividend remittances | Net financial transfers |
|---|---|---|---|
| *1981-82 avg.* | 2.44 | 0.48 | 1.96 |
| *1983* | 1.36 | 0.76 | 0.60 |
| *1984* | 1.55 | 0.80 | 0.75 |
| *1985* | 1.25 | 1.06 | 0.19 |

*Includes reinvested earnings.

cies, with $11 billion of medium-term claims. Sensible consolidation would shape a new, long-term maturity profile that financial markets can be confident Brazil will begin honoring. It would bear closer relation to prospective project completions and growth of export earnings than the original or existing maturity profile. Consolidation also could provide Brazil the opportunity to seek better pricing on older debts, some of which bear spreads close to 2% over LIBOR or prime.

Second, trade credits and interbank lines remain available to Brazil only under involuntary facilities. Foreign banks have had to renew their commitments to these facilities repeatedly during the past three years, a situation that is inconvenient for both the banks and Brazil. Normalization requires that the $6 billion interbank facility, which the overseas branches and agencies of Brazilian banks have used to fund medium- and long-term loans to Brazil, be wound down in an orderly manner, since interbank funding should be limited to truly short-term transactions. As for the $10 billion trade facility, participation ought to become increasingly voluntary as Brazil moves closer toward creditworthiness. It can be anticipated that trade credits will be the first to be granted and renewed voluntarily — provided they retain a reasonable relationship to the scale of Brazil's foreign trade.

Third, Brazil has yet to regain access to credit from industrial-country private suppliers or from the official export agencies represented at the Paris Club. Brazil lost its export credit cover when its payments difficulties began in 1983. It lost cover again during 1985 and early this year, when interest and amortization payments were suspended in anticipation of talks on debt relief with official creditors. All industrial-country governments remain highly restrictive in their credit policies toward Brazil. For instance, the U.S. Export-Import Bank is authorizing no medium- or long-term direct credits or financial guarantees and offers short-term insurance only for spare parts and raw materials necessary for maintenance — not expansion — of Brazilian production. Brazil resumed official debt service in May and will pay 15% of past-due interest and principal. However, official creditors are demanding back interest in full and have made no exception to the convention that requests for principal rescheduling should be supported by the IMF. Accommodation on Brazil's existing obligations to Paris Club creditors would reopen lines of trade financing for Brazil. These are potentially significant sources of credit and should not be neglected in light of Brazil's rapidly rising imports of capital goods.

Nonetheless, while necessary steps, restructuring of Brazil's existing debt and renewing its access to official finance will do nothing to redress the disproportion between the country's $106 billion debt and its $31 billion in annual earnings from exports of goods and services. Brazil's 340% debt-to-exports ratio argues that the country is overindebted. It will be difficult to alter that perception until the ratio is seen to fall steadily toward the 200%-250% range. That range still must be viewed as high. However, several countries with debt ratios of the same order — for example, Colombia, Greece, and Turkey — are accepted as creditworthy.

If Brazil's current account were to stay in approximate equilibrium, and thus keep its foreign debt from growing, 8% annual growth in its dollar export earnings — 2%-3% in real terms — would lower the debt-to-exports ratio to 250% no sooner than 1990. But, for all concerned, four years is a long time. Only two

years' wait would be necessary if Europe and Japan were to spur their own economies' growth by enough to allow 11% annual gains in Brazil's dollar export earnings — a plausible 5% annual volume increase — and if, for its part, Brazil were to reduce the level of its external debt by $10 billion.

Cutting Brazil's indebtedness below the $100 billion mark is by no means impossible. One approach would be for the authorities to desist from the current and prospective buildup of foreign exchange reserves and instead start repaying a portion of the debt incurred years ago. This would acknowledge the reversal of fortunes since the difficult days when oil import costs jumped, international interest rates soared, and foreign borrowing bought time for the requisite economic adjustment.

Another approach would take better advantage of Brazil's huge potential attraction to foreign direct and portfolio investors. Since 1981-82, profit and dividend remittances have boomed but both fresh investment and reinvestment of earnings have fallen sharply (see Table 6). This mirrors the drop in overall domestic capital formation and has occurred for many of the same reasons. In relation to GDP, Brazil attracts half or less the foreign investment drawn to such countries as Malaysia, Portugal, and Spain. Remembering the important new-technology and export benefits associated with foreign direct investment, its decline is inimical to Brazil's objectives for faster economic growth and a stronger balance of payments. Brazil's restrictions on direct and portfolio investors are therefore overdue for review. The proposed easing of withholding taxes on dividends and capital gains remittances, and reduction of the minimum time for which portfolio capital must remain invested, are welcome first steps.

Finally, Brazil could do well to imitate the most successful of the innovations pursued by other debt-burdened countries. Nearby Chile, a country with one-fifteenth the national income of Brazil and the host to one-tenth the foreign investment found in Brazil, is on course to reduce its foreign debt by over $1 billion in just one year. Under its exemplary debt conversion scheme, residents and foreign investors may purchase foreign-currency-denominated debt at a discount from financial intermediaries eager to sell; the discounted paper may then be redeemed in Chile to fund new ventures and expansion projects or to pay down existing debt. External obligations are thereby extinguished without cost to official reserves, the foreign exchange coming from nonresidents, residents' holdings abroad, or purchases in the local unofficial market.

To make significant parallel headway, Brazil would have to relax its existing restrictions on foreign capital and its unofficial exchange market. It also would have to make suitable equity investment opportunities available, for example, by embarking on an earnest attempt to privatize majority control and management of state-owned concerns. Most of these enterprises in any case need large equity infusions to diminish overindebtedness. Given the will, Brazil could set up a smoothly working debt conversion mechanism. And there is every reason to believe that a substantial lightening of the country's foreign debt burden could be achieved within a couple of years. Were that to be accomplished, together with maintenance of low inflation and significant steps to strengthen the workings of market forces throughout Brazil's economy, there would be ample justification for the present plaudits for the nation's progress.

## *Statistical appendix*

*For key to data in tables see June/July 1986 issue.*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Information herein is from sources considered to be reliable but is furnished without responsibility on the part of Morgan Guaranty Trust Company.

# Nominal effective exchange rates

*Index numbers, 1980-82 average=100.*

| | United States | Canada | Japan | Australia | France | Germany | Italy | United Kingdom | Austria | Belgium | Neth-erlands | Spain | Swit-zerland | Den-mark | Norway | Swe-den |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *1981* | 99.5 | 100.2 | 105.8 | 104.0 | 100.4 | 97.2 | 98.6 | 102.1 | 98.9 | 101.8 | 97.1 | 99.4 | 98.3 | 99.2 | 100.1 | 103.3 |
| *1982* | 109.8 | 99.4 | 98.6 | 100.1 | 93.1 | 102.8 | 92.8 | 98.1 | 101.7 | 92.3 | 102.7 | 94.1 | 106.3 | 95.7 | 101.7 | 92.8 |
| *1983* | 114.2 | 100.8 | 107.8 | 92.0 | 87.3 | 107.6 | 90.3 | 91.6 | 103.8 | 90.0 | 105.0 | 78.4 | 111.5 | 96.4 | 99.4 | 82.2 |
| *1984* | 122.4 | 97.3 | 113.0 | 94.2 | 84.4 | 107.4 | 86.7 | 88.1 | 103.6 | 88.9 | 104.0 | 77.4 | 110.5 | 93.9 | 97.8 | 84.3 |
| *1985* | 127.1 | 92.8 | 115.8 | 76.3 | 85.4 | 107.8 | 82.1 | 88.2 | 104.2 | 89.5 | 104.0 | 75.6 | 109.5 | 95.0 | 95.6 | 83.9 |
| *1985* | | | | | | | | | | | | | | | | |
| *August* | 124.0 | 92.8 | 113.6 | 75.4 | 86.3 | 108.7 | 80.0 | 91.4 | 104.7 | 89.6 | 104.8 | 75.2 | 112.2 | 95.0 | 95.6 | 83.1 |
| *September* | 125.2 | 92.1 | 114.9 | 74.0 | 86.3 | 108.6 | 79.9 | 91.3 | 104.7 | 89.6 | 104.6 | 74.1 | 109.9 | 94.9 | 95.7 | 83.4 |
| *October* | 118.9 | 91.3 | 123.6 | 71.8 | 87.3 | 109.8 | 80.1 | 89.9 | 105.2 | 90.1 | 105.4 | 73.1 | 113.3 | 96.1 | 95.3 | 83.1 |
| *November* | 117.0 | 90.3 | 129.5 | 67.9 | 87.6 | 109.9 | 80.2 | 89.7 | 105.2 | 90.5 | 105.6 | 72.8 | 113.4 | 96.5 | 94.8 | 83.3 |
| *December* | 116.1 | 88.9 | 129.2 | 67.8 | 88.3 | 111.3 | 80.2 | 88.3 | 105.9 | 90.4 | 106.7 | 72.9 | 112.3 | 97.3 | 94.9 | 83.1 |
| *1986* | | | | | | | | | | | | | | | | |
| *January* | 115.1 | 87.9 | 130.1 | 69.1 | 88.8 | 112.5 | 81.0 | 85.3 | 106.4 | 91.1 | 107.6 | 73.0 | 112.1 | 97.6 | 94.8 | 82.7 |
| *February* | 111.2 | 87.5 | 138.8 | 66.9 | 89.5 | 113.5 | 81.7 | 82.6 | 106.8 | 91.6 | 108.2 | 73.2 | 114.2 | 98.1 | 95.3 | 82.0 |
| *March* | 109.0 | 87.3 | 142.3 | 66.5 | 89.6 | 113.8 | 82.0 | 83.1 | 107.1 | 91.7 | 108.5 | 73.8 | 114.0 | 98.3 | 94.7 | 81.9 |
| *April* | 108.1 | 88.0 | 144.9 | 67.4 | 86.8 | 114.1 | 81.7 | 85.0 | 107.1 | 92.4 | 108.7 | 73.5 | 114.9 | 98.3 | 94.5 | 81.9 |
| *May* | 105.8 | 88.4 | 150.9 | 66.5 | 86.5 | 114.5 | 82.0 | 84.9 | 107.0 | 92.6 | 109.1 | 73.6 | 115.8 | 98.7 | 89.8 | 82.0 |
| *June* | 106.5 | 87.6 | 151.1 | 63.2 | 86.5 | 114.6 | 82.0 | 84.5 | 107.1 | 92.6 | 109.2 | 73.2 | 117.1 | 98.9 | 87.8 | 81.8 |
| *July* | 104.0 | 87.8 | 158.6 | 56.4 | 86.3 | 115.8 | 82.8 | 82.2 | 107.5 | 92.7 | 110.3 | 74.0 | 120.2 | 99.1 | 87.3 | 81.4 |
| *July* 18 | 103.8 | 88.2 | 158.8 | 57.4 | 86.2 | 115.8 | 82.8 | 82.1 | 107.4 | 92.6 | 110.2 | 74.3 | 120.0 | 99.2 | 87.1 | 81.6 |
| 25 | 103.6 | 87.5 | 160.4 | 56.0 | 86.3 | 116.1 | 83.1 | 80.9 | 107.5 | 92.8 | 110.6 | 74.3 | 121.1 | 99.3 | 87.1 | 81.4 |
| *August* 1 | 102.9 | 87.5 | 161.7 | 54.0 | 86.3 | 116.7 | 83.5 | 79.9 | 107.7 | 93.0 | 111.0 | 74.1 | 122.5 | 99.5 | 86.8 | 81.4 |
| 8 | 102.4 | 87.5 | 162.1 | 54.3 | 86.6 | 117.2 | 83.6 | 78.7 | 108.0 | 93.2 | 111.5 | 73.8 | 122.4 | 100.5 | 86.8 | 81.2 |
| 15 | 102.3 | 87.1 | 161.8 | 54.4 | 86.5 | 117.4 | 83.7 | 79.0 | 107.9 | 93.3 | 111.6 | 74.0 | 122.5 | 100.6 | 86.7 | 81.1 |
| 22 | 102.0 | 86.7 | 162.1 | 54.5 | 86.3 | 117.6 | 83.8 | 79.1 | 108.1 | 93.4 | 111.7 | 74.2 | 122.6 | 100.3 | 86.7 | 81.1 |

# Real effective exchange rates — industrial countries

*Index numbers, 1980-82 average=100.*

| | United States | Canada | Japan | Australia | France | Germany | Italy | United Kingdom | Austria | Belgium | Nether-lands | Spain | Swit-zerland | Den-mark | Norway | Swe-den |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *1981* | 100.7 | 99.9 | 104.7 | 102.8 | 99.8 | 97.4 | 98.7 | 102.3 | 99.1 | 100.9 | 97.3 | 99.3 | 98.8 | 99.2 | 101.1 | 102.1 |
| *1982* | 109.8 | 101.1 | 92.4 | 104.3 | 96.8 | 99.6 | 98.1 | 98.1 | 100.8 | 92.0 | 101.5 | 100.1 | 102.8 | 97.5 | 102.5 | 96.9 |
| *1983* | 112.8 | 103.9 | 96.8 | 100.2 | 94.4 | 100.5 | 101.0 | 92.8 | 102.1 | 89.1 | 101.1 | 91.2 | 104.2 | 99.2 | 101.6 | 91.9 |
| *1984* | 118.0 | 102.7 | 97.7 | 105.2 | 96.4 | 97.3 | 101.4 | 89.8 | 103.0 | 88.1 | 99.3 | 95.6 | 99.7 | 96.7 | 100.3 | 97.2 |
| *1985* | 120.9 | 99.0 | 96.5 | 88.8 | 99.8 | 96.0 | 99.8 | 92.4 | 103.2 | 87.4 | 97.3 | 97.8 | 97.9 | 98.5 | 99.2 | 98.2 |
| *1985* | | | | | | | | | | | | | | | | |
| *August* | 118.1 | 98.7 | 94.2 | 89.2 | 101.5 | 96.5 | 97.9 | 96.2 | 103.7 | 87.3 | 98.0 | 97.5 | 99.4 | 97.6 | 98.2 | 97.2 |
| *September* | 117.6 | 99.3 | 95.6 | 87.8 | 101.1 | 96.6 | 98.1 | 96.6 | 103.6 | 87.0 | 97.7 | 97.0 | 98.1 | 98.0 | 100.7 | 97.2 |
| *October* | 113.9 | 97.1 | 101.4 | 84.8 | 101.8 | 97.3 | 98.8 | 95.1 | 104.1 | 87.1 | 97.8 | 96.1 | 101.5 | 100.4 | 99.8 | 97.2 |
| *November* | 112.3 | 96.0 | 105.6 | 80.5 | 101.9 | 97.4 | 98.9 | 95.0 | 104.4 | 87.2 | 97.8 | 96.3 | 101.6 | 100.7 | 100.3 | 97.3 |
| *December* | 111.5 | 95.0 | 105.2 | 80.9 | 102.1 | 98.3 | 99.4 | 94.0 | 105.8 | 87.0 | 99.0 | 96.8 | 100.5 | 101.8 | 100.3 | 97.2 |
| *1986* | | | | | | | | | | | | | | | | |
| *January* | 109.7 | 95.2 | 105.8 | 83.3 | 101.9 | 99.2 | 100.9 | 91.8 | 107.4 | 87.8 | 99.4 | 99.5 | 99.0 | 100.6 | 100.6 | 97.5 |
| *February* | 105.0 | 95.6 | 113.1 | 81.9 | 102.6 | 99.9 | 101.1 | 90.0 | 108.5 | 88.0 | 99.9 | 101.2 | 100.6 | 102.2 | 101.4 | 97.1 |
| *March* | 101.9 | 96.2 | 116.1 | 82.5 | 102.4 | 100.1 | 101.3 | 91.8 | 108.9 | 88.0 | 100.4 | 103.4 | 101.0 | 103.7 | 101.6 | 96.6 |
| *April* | 101.0 | 96.7 | 117.5 | 84.5 | 98.7 | 100.2 | 100.9 | 94.9 | 108.9 | 88.6 | 100.3 | 104.1 | 101.4 | 107.2 | 102.2 | 96.4 |
| *May* | 99.9 | 95.9 | 121.6 | 84.0 | 97.9 | 100.2 | 100.9 | 95.4 | 109.3 | 88.9 | 100.6 | 104.7 | 101.9 | 108.9 | 97.4 | 96.2 |
| *June* | 100.8 | 95.1 | 121.4 | 80.6 | 97.4 | 99.9 | 101.3 | 95.3 | 110.1 | 89.1 | 100.5 | 105.2 | 102.7 | 108.9 | 97.7 | 96.0 |
| *July* | 97.8 | 95.6 | 127.4 | 73.0 | 96.9 | 100.7 | 102.3 | 93.3 | 110.8 | 89.2 | 101.4 | 107.7 | 105.3 | 111.1 | 98.4 | 95.5 |

# Real effective exchange rates — developing countries

*Index numbers, 1980-82 = 100*

| | Argentina | Brazil | Chile | Colombia | Mexico | Peru | Venezuela | Hong Kong | Indonesia | Korea | Malaysia | Philippines | Singapore | Taiwan | Israel | Turkey |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *1981* | 107.5 | 103.2 | 108.1 | 100.4 | 114.1 | 103.2 | 99.6 | 99.4 | 99.7 | 101.2 | 99.3 | 101.2 | 101.9 | 102.6 | 99.2 | 104.4 |
| *1982* | 76.4 | 112.2 | 96.7 | 104.9 | 81.9 | 103.8 | 109.1 | 102.3 | 110.9 | 103.0 | 104.7 | 105.6 | 99.9 | 96.5 | 107.9 | 95.6 |
| *1983* | 71.2 | 85.9 | 88.9 | 104.2 | 78.1 | 97.9 | 116.3 | 96.8 | 95.8 | 97.5 | 113.1 | 95.4 | 100.8 | 93.3 | 120.1 | 93.4 |
| *1984* | 79.9 | 85.7 | 89.9 | 99.4 | 91.6 | 105.7 | 85.6 | 100.4 | 96.8 | 96.1 | 119.3 | 107.6 | 101.5 | 95.6 | 118.8 | 90.9 |
| *1985* | 70.9 | 84.8 | 79.5 | 85.3 | 90.1 | 96.1 | 92.5 | 106.1 | 95.6 | 88.8 | 116.0 | 114.1 | 94.8 | 93.0 | 106.0 | 91.2 |
| *1985* | | | | | | | | | | | | | | | | |
| *July* | 67.7 | 78.8 | 76.6 | 83.2 | 93.8 | 99.7 | 92.7 | 105.2 | 95.9 | 87.7 | 116.2 | 113.5 | 91.5 | 91.8 | 99.3 | 86.6 |
| *August* | 67.0 | 80.6 | 74.2 | 81.6 | 82.0 | 92.1 | 92.7 | 103.3 | 94.5 | 86.0 | 114.8 | 110.3 | 90.1 | 90.3 | 98.6 | 85.4 |
| *September* | 67.7 | 81.0 | 75.6 | 80.6 | 82.7 | 94.6 | 94.1 | 105.0 | 94.5 | 86.1 | 115.6 | 111.7 | 92.3 | 90.9 | 102.0 | 86.4 |
| *October* | 65.0 | 79.5 | 73.1 | 76.3 | 78.8 | 91.4 | 90.9 | 101.7 | 88.7 | 82.0 | 111.0 | 106.6 | 90.1 | 87.7 | 100.9 | 85.4 |
| *November* | 64.1 | 80.2 | 72.5 | 73.7 | 77.1 | 90.6 | 90.4 | 100.6 | 86.5 | 80.7 | 109.9 | 105.6 | 89.2 | 87.0 | 101.5 | 85.1 |
| *December* | 63.7 | 80.5 | 71.9 | 71.5 | 74.6 | 90.7 | 90.4 | 99.8 | 85.9 | 80.2 | 109.2 | 104.7 | 88.6 | 86.7 | 101.4 | 83.1 |
| *1986* | | | | | | | | | | | | | | | | |
| *January* | 63.2 | 79.7 | 70.9 | 72.6 | 72.2 | 91.1 | 89.9 | 99.0 | 85.9 | 79.5 | 108.1 | 104.9 | 87.5 | 86.7 | 100.8 | 83.3 |
| *February* | 61.9 | 82.4 | 68.3 | 71.4 | 70.6 | 91.5 | 94.9 | 98.2 | 83.0 | 77.4 | 104.4 | 94.5 | 85.1 | 86.3 | 100.4 | 81.3 |
| *March* | 62.7 | 76.4 | 67.9 | 71.7 | 69.6 | 91.8 | 92.7 | 97.7 | 81.4 | 75.5 | 101.2 | 92.7 | 83.7 | 84.6 | 99.9 | 75.7 |
| *April* | 62.9 | 75.2 | 69.7 | 71.8 | 68.3 | 95.6 | 93.4 | 98.5 | 81.4 | 74.0 | 99.1 | 91.7 | 83.1 | 85.4 | 102.0 | 73.6 |
| *May* | 61.9 | 74.3 | 69.8 | 70.3 | 67.0 | 97.5 | 94.1 | 97.6 | 80.3 | 72.6 | 97.3 | 91.0 | 81.1 | 85.5 | 103.0 | 73.4 |
| *June* | 62.5 | 74.8 | 71.7 | 70.1 | 67.5 | 101.3 | 94.1 | 98.0 | 80.7 | 72.8 | 97.2 | 90.7 | 82.8 | 86.0 | 103.6 | 73.2 |

# International banking market size

*at end of period, billions of dollars*

| | 1981 | 1982 | 1983r | 1984 | 1985 | | | | 1986 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Dec | Mar | Jun | Sepr | Decr | Mar |
| **Gross claims** | | | | | | | | | |
| **Eurocurrencies, on residents and nonresidents** | **1 929** | **2 146** | **2 253** | **2 359** | **2 473** | **2 459** | **2 622** | **2 833** | **2 947** |
| *On nonbanks* | 557 | 634 | 665 | 694 | 722 | 735 | 761 | 822 | 854 |
| *On banks* | 1 372 | 1 512 | 1 588 | 1 665 | 1 751 | 1 724 | 1 861 | 2 011 | 2 093 |
| *In dollars* | 1 504 | 1 694 | 1 797 | 1 894 | 1 960 | 1 924 | 2 002 | 2 101 | 2 138 |
| *In other currencies* | 425 | 452 | 456 | 465 | 513 | 535 | 620 | 732 | 809 |
| **Domestic currencies, on nonresidents** | **365** | **398** | **398** | **402** | **409** | **422** | **451** | **506** | **535** |
| *On nonbanks* | 128 | 132 | 136 | 142 | 147 | 150 | 165 | 187 | 186 |
| *On banks* | 237 | 266 | 262 | 260 | 262 | 272 | 286 | 319 | 349 |
| *In dollars* | 188 | 211 | 217 | 215 | 208 | 209 | 205 | 215 | 203 |
| *In other currencies* | 177 | 187 | 181 | 187 | 201 | 213 | 246 | 291 | 332 |
| **Total** | **2 294** | **2 544** | **2 651** | **2 761** | **2 882** | **2 881** | **3 073** | **3 339** | **3 482** |
| *On nonbanks* | 685 | 766 | 801 | 836 | 869 | 885 | 926 | 1 009 | 1 040 |
| *On banks* | 1 609 | 1 778 | 850 | 1 925 | 2 013 | 1 996 | 2 147 | 2 330 | 2 442 |
| *In dollars* | 1 692 | 1 905 | 2 014 | 2 109 | 2 168 | 2 133 | 2 207 | 2 316 | 2 341 |
| *In other currencies* | 602 | 639 | 637 | 652 | 714 | 748 | 866 | 1 023 | 1 141 |
| **Gross liabilities** | | | | | | | | | |
| **Eurocurrencies, to residents and nonresidents** | **1 954** | **2 168** | **2 278** | **2 386** | **2 489** | **2 471** | **2 641** | **2 846** | **2 964** |
| *To nonbanks* | 372 | 432 | 479 | 497 | 508 | 520 | 546 | 585 | 610 |
| *To official monetary institutions* | 112 | 91 | 88 | 96 | 96 | 106 | 109 | 112 | 106 |
| *To other banks* | 1 470 | 1 645 | 1 711 | 1 793 | 1 885 | 1 845 | 1 986 | 2 149 | 2 248 |
| *In dollars* | 1 539 | 1 741 | 1 846 | 1 950 | 2 010 | 1 969 | 2 045 | 2 147 | 2 166 |
| *In other currencies* | 415 | 427 | 432 | 436 | 479 | 502 | 596 | 699 | 798 |
| **Domestic currencies, to nonresidents** | **263** | **250** | **260** | **280** | **293** | **310** | **341** | **377** | **394** |
| *To nonbanks* | 74 | 70 | 73 | 80 | 82 | 89 | 103 | 114 | 121 |
| *To banks* | 189 | 180 | 187 | 200 | 211 | 221 | 238 | 263 | 273 |
| *In dollars* | 126 | 116 | 135 | 146 | 147 | 154 | 159 | 169 | 166 |
| *In other currencies* | 137 | 134 | 125 | 134 | 146 | 156 | 182 | 208 | 228 |
| **Total** | **2 217** | **2 418** | **2 538** | **2 666** | **2 782** | **2 781** | **2 982** | **3 223** | **3 358** |
| *To nonbanks* | 446 | 502 | 552 | 577 | 590 | 609 | 649 | 699 | 731 |
| *To banks and official institutions* | 1 771 | 1 916 | 1 986 | 2 089 | 2 192 | 2 172 | 2 333 | 2 529 | 2 627 |
| *In dollars* | 1 665 | 1 857 | 1 981 | 2 096 | 2 157 | 2 123 | 2 204 | 2 316 | 2 332 |
| *In other currencies* | 552 | 561 | 557 | 570 | 625 | 658 | 778 | 907 | 1 026 |
| ***Net market size*** | **1 155** | **1 285** | **1 382** | **1 430** | **1 470** | **1 497** | **1 572** | **1 676** | **1 735** |

# International bond issues and bank credits

*millions of dollars*

| | 1983 | 1984 | 1985 | 1986 | | | Jan-Jun | |
|---|---|---|---|---|---|---|---|---|
| | | | | Apr | May | Jun | 1986 | 1985 |
| ***By country of borrower*** | | | | | | | | |
| **Industrial countries** | **102 652** | **177 077** | **226 711** | **30 528** | **19 085** | **15 084** | **124 351** | **105 705** |
| *Australia* | 5 737 | 5 816 | 14 407 | 1 419 | 1 616 | 408 | 8 954 | 5 490 |
| *Austria* | 1 290 | 2 254 | 2 435 | 195 | 564 | — | 1 863 | 1 394 |
| *Belgium* | 2 168 | 1 847 | 3 269 | 526 | 338 | 100 | 2 742 | 1 698 |
| *Canada* | 8 571 | 13 124 | 17 184 | 2 533 | 914 | 682 | 8 252 | 9 844 |
| *Denmark* | 3 941 | 4 825 | 3 589 | 930 | 138 | 676 | 2 219 | 2 094 |
| *Finland* | 1 271 | 1 713 | 1 846 | 188 | 196 | 69 | 1 233 | 950 |
| *France* | 8 626 | 11 298 | 18 773 | 1 574 | 821 | 557 | 6 324 | 7 468 |
| *Germany* | 3 197 | 2 165 | 3 452 | 1 169 | 2 127 | 244 | 5 084 | 1 095 |
| *Greece* | 1 291 | 1 551 | 1 588 | 46 | 375 | 177 | 665 | 1 307 |
| *Ireland* | 1 869 | 1 377 | 1 881 | 317 | 502 | 80 | 1 343 | 909 |
| *Italy* | 4 876 | 6 933 | 11 033 | 1 943 | 1 950 | 987 | 7 111 | 6 946 |
| *Japan* | 14 428 | 17 526 | 21 269 | 4 059 | 2 253 | 3 166 | 15 190 | 11 370 |
| *Netherlands* | 1 213 | 1 973 | 2 299 | 326 | 57 | 67 | 1 591 | 998 |
| *New Zealand* | 802 | 3 208 | 2 707 | 1 121 | 521 | 200 | 3 174 | 1 166 |
| *Norway* | 1 969 | 1 324 | 3 905 | 537 | 235 | 590 | 2 001 | 2 097 |
| *Portugal* | 1 030 | 1 796 | 2 382 | 20 | 127 | 628 | 1 424 | 1 120 |
| *South Africa* | 1 300 | 1 422 | 825 | — | — | — | — | 740 |
| *Spain* | 4 977 | 4 931 | 3 913 | 685 | 331 | 1 073 | 2 580 | 2 789 |
| *Sweden* | 7 144 | 11 256 | 9 890 | 897 | 46 | 391 | 5 761 | 6 016 |
| *United Kingdom* | 2 726 | 8 899 | 25 424 | 2 931 | 1 511 | 1 984 | 12 601 | 10 155 |
| *United States* | 20 276 | 65 054 | 69 194 | 8 670 | 4 264 | 2 741 | 31 849 | 28 829 |
| *Other** | 3 950 | 6 785 | 5 447 | 442 | 200 | 265 | 2 389 | 1 232 |
| **Developing countries** | **38 256** | **39 725** | **32 139** | **1 437** | **2 372** | **2 376** | **12 515** | **12 320** |
| **Latin American countries** | **15 592** | **17 464** | **8 115** | **150** | **255** | **500** | **1 416** | **1 103** |
| *Argentina* | 1 750 | 4 212 | 3 700 | — | — | — | 17 | — |
| *Brazil* | 4 475 | 6 649 | — | — | — | — | — | — |
| *Chile* | 1 405 | 784 | 1 085 | — | — | — | — | — |
| *Colombia* | 552 | 589 | 1 052 | — | — | — | — | — |
| *Mexico* | 5 138 | 3 918 | 109 | — | 50 | — | 50 | — |
| *Venezuela* | 237 | — | 48 | — | — | — | — | — |
| *Other*** | 2 035 | 1 312 | 2 121 | 150 | 205 | 500 | 1 349 | 1 103 |
| **Asian countries** | **12 978** | **15 893** | **18 410** | **828** | **1 357** | **776** | **7 857** | **7 817** |
| *India* | 968 | 945 | 818 | — | 9 | 30 | 650 | 298 |
| *Indonesia* | 2 363 | 1 924 | 451 | 27 | — | — | 983 | 424 |
| *Korea* | 4 387 | 6 201 | 5 898 | 174 | 492 | 249 | 2 049 | 3 282 |
| *Malaysia* | 2 197 | 2 605 | 2 220 | — | 154 | — | 208 | 1 053 |
| *Philippines* | 878 | 925 | 925 | — | — | — | — | 925 |
| *Thailand* | 747 | 1 221 | 1 497 | — | 406 | — | 1 016 | 716 |
| *Other* | 1 438 | 2 072 | 6 602 | 628 | 297 | 497 | 2 952 | 1 120 |
| **Middle Eastern and African countries** | **9 686** | **6 368** | **5 614** | **459** | **760** | **1 100** | **3 242** | **3 400** |
| *Algeria* | 1 993 | 821 | 1 450 | — | — | 390 | 797 | 1 300 |
| *Nigeria* | 2 343 | 985 | — | — | — | — | — | — |
| *Turkey* | 1 106 | 741 | 1 203 | 459 | 150 | 60 | 972 | 604 |
| *Other* | 4 244 | 3 821 | 2 960 | — | 610 | 650 | 1 473 | 1 497 |
| **Eastern European countries** | **1 294** | **3 244** | **5 236** | **360** | **548** | **300** | **2 219** | **2 323** |
| *Hungary* | 741 | 1 386 | 1 578 | 210 | — | 300 | 821 | 688 |
| *Soviet Union* | 93 | 1 051 | 1 489 | 150 | 548 | — | 1 248 | 891 |
| *Other**** | 460 | 807 | 2 169 | — | — | — | 150 | 744 |
| **International organizations****** | **16 201** | **13 287** | **20 635** | **899** | **1 138** | **794** | **8 513** | **10 254** |
| ***By type of instrument and currency*** | | | | | | | | |
| **International bond issues** | **76 329** | **107 411** | **167 756** | **26 116** | **14 541** | **13 294** | **105 735** | **82 918** |
| *Eurobonds* | 48 501 | 79 458 | 136 731 | 22 051 | 13 034 | 11 645 | 87 742 | 69 547 |
| *U.S. dollar* | 38 428 | 63 593 | 97 782 | 12 032 | 8 607 | 7 910 | 53 988 | 54 000 |
| *German mark* | 3 817 | 4 604 | 9 491 | 1 698 | 1 990 | 1 003 | 8 592 | 3 683 |
| *British pound* | 1 947 | 3 997 | 5 766 | 2 412 | 307 | 543 | 5 965 | 2 416 |
| *Japanese yen* | 212 | 1 212 | 6 539 | 1 579 | 961 | 653 | 7 338 | 1 867 |
| *European composite units* | 2 019 | 3 032 | 7 038 | 1 729 | 375 | 563 | 3 995 | 3 318 |
| *Other* | 2 078 | 3 020 | 10 114 | 2 602 | 794 | 974 | 7 864 | 4 263 |
| *Foreign bonds* | 27 828 | 27 953 | 31 025 | 4 065 | 1 507 | 1 649 | 17 993 | 13 371 |
| *U.S. dollar* | 4 545 | 5 487 | 4 655 | 400 | — | — | 2 364 | 2 157 |
| *German mark* | 2 671 | 2 243 | 1 741 | — | — | — | — | 800 |
| *British pound* | 811 | 1 292 | 958 | — | 77 | — | 186 | 291 |
| *Swiss franc* | 14 299 | 12 626 | 14 954 | 3 116 | 911 | 1 187 | 10 942 | 5 977 |
| *Japanese yen* | 3 772 | 4 628 | 6 379 | 309 | 123 | 314 | 3 137 | 3 169 |
| *Other* | 1 730 | 1 677 | 2 339 | 239 | 396 | 148 | 1 364 | 977 |
| **International bank credits** | **82 074** | **125 922** | **116 964** | **7 109** | **8 603** | **5 259** | **41 864** | **47 685** |
| *Eurocurrency credits* | 74 222 | 112 605 | 110 317 | 6 653 | 8 114 | 4 950 | 39 146 | 44 406 |
| *Foreign credits* | 7 852 | 13 317 | 6 648 | 456 | 489 | 310 | 2 718 | 3 279 |
| **Total** | **158 403** | **233 333** | **284 720** | **33 224** | **23 144** | **18 554** | **147 599** | **130 603** |

*Includes multinational organizations. **Includes unallocated. ***Includes COMECON institutions. ****Includes regional development organizations.

# Eurocurrency deposit rates

*prime banks' bid rates, at or near end of month*

| | 1983 | 1984 | 1985 | 1986 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul |
| **Eurodollar** | | | | | | | | | | |
| *overnight* | 9.50 | 8.63 | 12.25 | 7.88 | 7.81 | 7.63 | 6.88 | 6 81 | 8.25 | 6.25 |
| *one month* | 9.69 | 8.38 | 8.00 | 7.94 | 7.81 | 7.38 | 6.81 | 7.00 | 6 88 | 6.38 |
| *three months* | 9.81 | 8.63 | 7.88 | 7.94 | 7.75 | 7.31 | 6.75 | 7.00 | 6.75 | 6.38 |
| *six months* | 10.06 | 9.13 | 7.88 | 8.00 | 7.69 | 7.25 | 6.75 | 7.06 | 6.75 | 6.38 |
| *twelve months* | 10.38 | 9.81 | 7.94 | 8.13 | 7.75 | 7.25 | 6.81 | 7.25 | 6.81 | 6.50 |
| **Euro-Canadian dollar** | | | | | | | | | | |
| *one month* | 9.13 | 9.88 | 9.00 | 10.69 | 12.88 | 10.75 | 8.38 | 8.38 | 8.06 | 8.06 |
| *three months* | 9.50 | 10.81 | 9.00 | 10.69 | 11.69 | 10.44 | 8.69 | 8.44 | 8.38 | 8.31 |
| *six months* | 9.75 | 10.06 | 9.00 | 10.44 | 10.94 | 9.88 | 8.69 | 8 50 | 8.56 | 8.50 |
| *twelve months* | 10.00 | 10.44 | 9.00 | 10.31 | 10.31 | 9.75 | 8.69 | 8.75 | 8.75 | 8.75 |
| **Euro-French franc** | | | | | | | | | | |
| *one month* | 12.13 | 10.69 | 12 50 | 15.00 | 14.50 | 15.00 | 7.75 | 7.31 | 7.25 | 7.13 |
| *three months* | 12.19 | 10.69 | 13.00 | 16.25 | 14.00 | 12.25 | 7.50 | 7.31 | 7.31 | 7.19 |
| *six months* | 12.31 | 11.00 | 13 13 | 13.75 | 12 50 | 11.00 | 7.50 | 7 31 | 7.31 | 7.25 |
| *twelve months* | 12.63 | 11.38 | 12.25 | 12.75 | 10.75 | 10.00 | 7.38 | 7.50 | 7.38 | 7.31 |
| **Euromark** | | | | | | | | | | |
| *one month* | 5.25 | 5.50 | 4.75 | 4.56 | 4.56 | 4.44 | 4.56 | 4 56 | 4.44 | 4.63 |
| *three months* | 5.88 | 5.50 | 4.75 | 4.57 | 4.44 | 4.44 | 4.50 | 4.56 | 4.50 | 4.56 |
| *six months* | 6.13 | 5.56 | 4.75 | 4.57 | 4.38 | 4.44 | 4.44 | 4.63 | 4.56 | 4.56 |
| *twelve months* | 6.38 | 5.56 | 4.81 | 4.63 | 4.38 | 4.44 | 4.44 | 4.75 | 4.63 | 4.63 |
| **Euro-Dutch guilder** | | | | | | | | | | |
| *one month* | 5.81 | 5.69 | 5.75 | 5.69 | 5.81 | 5.50 | 5.75 | 6.13 | 6.25 | 5.56 |
| *three months* | 6.00 | 5.75 | 5.75 | 5.69 | 5.81 | 5.44 | 5.50 | 5.81 | 6.06 | 5.44 |
| *six months* | 6.25 | 5.81 | 5.81 | 5.69 | 5.75 | 5.44 | 5.38 | 5.63 | 5.81 | 5.38 |
| *twelve months* | 6.38 | 5.94 | 5.88 | 5.75 | 5.75 | 5.44 | 5.31 | 5.63 | 5.75 | 5.38 |
| **Euro-Swiss franc** | | | | | | | | | | |
| *one month* | 3.38 | 4.44 | 3 88 | 4.06 | 3.75 | 4.00 | 4.13 | 4.88 | 5 00 | 4.63 |
| *three months* | 3.75 | 4.56 | 4 00 | 4.06 | 3.75 | 3.94 | 4.13 | 4 69 | 5.06 | 4.63 |
| *six months* | 3.94 | 4.63 | 4.00 | 4.06 | 3.75 | 3.81 | 4 06 | 4.56 | 4.88 | 4.63 |
| *twelve months* | 3.94 | 4.69 | 4.06 | 4.13 | 3.81 | 3.75 | 3.94 | 4.44 | 4.75 | 4.63 |
| **Eurosterling** | | | | | | | | | | |
| *one month* | 9.13 | 9.50 | 11.69 | 12.75 | 12.56 | 11.75 | 10 81 | 10.00 | 10.06 | 9.94 |
| *three months* | 9.31 | 9.88 | 11.81 | 12.81 | 12.31 | 11.31 | 10.38 | 9.81 | 9 81 | 9.94 |
| *six months* | 9.50 | 10.00 | 11.81 | 12.75 | 12.00 | 10.56 | 9 81 | 9 69 | 9.69 | 9.88 |
| *twelve months* | 9.81 | 10.19 | 11.69 | 12.63 | 11.69 | 10.25 | 9.50 | 9.44 | 9.63 | 9.94 |
| **Euroyen** | | | | | | | | | | |
| *one month* | 6.25 | 6.19 | 7.13 | 6.38 | 6.50 | 5.56 | 4.94 | 4.75 | 4.69 | 4.75 |
| *three months* | 6.31 | 6.19 | 6.56 | 6.13 | 5.88 | 5.25 | 4 81 | 4.75 | 4 88 | 4.75 |
| *six months* | 6.38 | 6.13 | 6.50 | 6.06 | 6.56 | 5.13 | 4.69 | 4.81 | 4 63 | 4.69 |
| *twelve months* | 6.44 | 6.13 | 6.38 | 6.00 | 6.56 | 5.06 | 4.69 | 4.88 | 4.63 | 4.69 |
| **European currency unit** | | | | | | | | | | |
| *one month* | 8.81 | 9.25 | 9.63 | 10 63 | 9.94 | 10.06 | 7 94 | 7.31 | 7.38 | 7.25 |
| *three months* | 9.19 | 9.38 | 9.63 | 10.13 | 9 88 | 9.50 | 7 56 | 7.31 | 7.31 | 7.19 |
| *six months* | 9.44 | 9.50 | 9.63 | 9.75 | 9.44 | 8 50 | 7.38 | 7.31 | 7 25 | 7.19 |
| *twelve months* | 9.63 | 9.63 | 9.63 | 9.13 | 9.06 | 8.06 | 7.19 | 7.13 | 7.25 | 7.13 |

# International bond yields

*average yield of several actively traded, high quality issues with a maturity of 7 to 12 years at or near end of month*

| | 1983 | 1984 | 1985 | 1986 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul |
| **United States companies** | | | | | | | | | | |
| *Eurodollar* | 11.59 | 11.25 | 9 68 | 9 60 | 9.27 | 8.78 | 8.93 | 9.27 | 9.09 | 8.97 |
| *Euromark* | 7.34 | 6.95 | 6.73 | 6 73 | 6.61 | 6.67 | 6.62 | 6.74 | 6.65 | 6.55 |
| *Swiss franc* | 5.83 | 5.73 | 5.49 | 5.47 | 5.52 | 5.63 | 5.65 | 5.62 | 5.63 | 5.56 |
| **European governments** | | | | | | | | | | |
| *Eurodollar* | 12.65 | 12.04 | 10.52 | 10 59 | 10.36 | 9.98 | 9.86 | 10.18 | 10.00 | 9.97 |
| *Euromark* | 8.12 | 7.39 | 7.03 | 6.95 | 6.81 | 6.77 | 6.82 | 6 92 | 6.95 | 6.81 |
| *Swiss franc* | 5.63 | 5.24 | 4.91 | 4 82 | 4.71 | 4.71 | 4.69 | 4.69 | 4.76 | 4.73 |
| *European currency unit* | 11.77 | 10.64 | 10.23 | 10.26 | 10.44 | 10.35 | 10.18 | 10.20 | 10.31 | 10.02 |

# Central bank discount rates

*at or near end of month*

| | 1983 | 1984 | 1985 | 1986 | | | | | Current | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Mar | Apr | May | Jun | Jul | Aug 21 1986 | effective since |
| United States | 8.50 | 8.00 | 7.50 | 7.00 | 6.50 | 6.50 | 6.50 | 6.00 | 5.50 | Aug 21, 86 |
| Canada | 9.96 | 10.09 | 9.49 | 10.44 | 9.27 | 8.58 | 8.84 | 8.51 | 8.58 | Aug 21, 86 |
| Austria | 3.75 | 4.50 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | Aug 19, 85 |
| Belgium | 10.00 | 11.00 | 9.75 | 9.75 | 8.75 | 8.00 | 8.00 | 8.00 | 8.00 | May 29, 86 |
| Denmark | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | Oct 27, 83 |
| Finland | 9.50 | 9.50 | 9.00 | 8.00 | 8.00 | 7.00 | 7.00 | 7.00 | 7.00 | May 19, 86 |
| France | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | Aug 31, 77 |
| Germany | 4.00 | 4.50 | 4.00 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | Mar 7, 86 |
| Ireland | 12.25 | 14.00 | 10.25 | 13.75 | 12.50 | 11.00 | 10.00 | 10.00 | 10.00 | Jun 18, 86 |
| Italy | 17.00 | 16.50 | 15.00 | 14.00 | 13.00 | 12.00 | 12.00 | 12.00 | 12.00 | May 27, 86 |
| Netherlands | 5.00 | 5.00 | 5.00 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | Mar 7, 86 |
| Norway | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | Jun 6, 83 |
| Portugal | 25.00 | 25.00 | 19.00 | 19.00 | 17.50 | 17.50 | 14.50 | 14.50 | 14.50 | Jun 30, 86 |
| Spain | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | Jul 26, 77 |
| Sweden | 8.50 | 9.50 | 10.50 | 8.50 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | Apr 18, 86 |
| Switzerland | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | Mar 18, 83 |
| United Kingdom | 9.00 | 9.38 | 11.31 | 11.31 | 10.31 | 9.81 | 9.81 | 9.81 | 9.81 | May 21, 86 |
| Japan | 5.00 | 5.00 | 5.00 | 4.00 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | Apr 21, 86 |
| New Zealand | 7.50 | 13.50 | 19.80 | 22.20 | 21.00 | 16.70 | 16.20 | 16.60 | 16.40 | Aug 19, 86 |
| South Africa | 18.50 | 21.75 | 13.50 | 12.50 | 12.50 | 11.50 | 11.50 | 11.50 | 11.50 | Aug 5, 86 |
| Argentina* | 15.10 | 18.19 | 5.00 | 6.69 | 6.18 | 6.18 | 6.20 | 6.68 | 6.20 | Jun 19, 86 |
| Korea | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 7.00 | 7.00 | Jul 10, 86 |
| Philippines | 8.05 | 12.11 | 11.50 | 10.52 | 11.02 | n.a. | n.a. | n.a. | n.a. | Apr, 86 |
| Singapore | 7.00 | 6.75 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | Jul, 85 |
| Thailand | 13.00 | 12.00 | 11.00 | 10.00 | 10.00 | 10.00 | 10.00 | 9.00 | 9.00 | Jul 8, 86 |
| Venezuela | 11.00 | 11.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | Mar, 85 |

*Percent per month.

# Day-to-day money rates

*monthly averages*

| | 1982 | 1983 | 1984 | 1985 | 1986 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul |
| United States | 8.95 | 9.47 | 8.38 | 8.27 | 8.14 | 7.85 | 7.48 | 6.98 | 6.85 | 6.91 | 6.55 |
| Canada | 10.63 | 8.78 | 10.50 | 9.23 | 9.94 | 11.47 | 11.10 | 9.58 | 8.41 | 8.19 | 8.38 |
| Austria | 6.00 | 5.75 | 7.63 | 7.25 | 6.13 | 6.25 | 5.00 | 4.75 | 4.88 | 4.88 | 5.13 |
| Belgium | 9.29 | 7.39 | 9.12 | 6.60 | 8.10 | 8.47 | 7.20 | 8.67 | 8.49 | 5.37 | 6.33 |
| Finland | 11.50 | 16.70 | 15.07 | 11.96 | 11.64 | 11.40 | 11.21 | 11.20 | 12.02 | 10.83 | 10.80 |
| France | 12.88 | 12.27 | 10.95 | 9.01 | 8.83 | 8.77 | 8.52 | 8.18 | 7.38 | 7.24 | 7.28 |
| Germany | 6.15 | 5.61 | 5.62 | 4.64 | 4.58 | 4.59 | 4.90 | 4.76 | 4.30 | 4.40 | 4.61 |
| Ireland | 14.54 | 12.19 | 14.50 | 9.62 | 12.00 | 14.38 | 14.75 | 12.63 | 10.50 | 9.50 | 9.63 |
| Italy | 19.00 | 17.88 | 17.25 | 14.75 | 15.15 | 16.57 | 17.15 | 15.02 | 13.06 | 12.34 | 12.11 |
| Netherlands | 5.31 | 5.84 | 5.60 | 5.75 | 5.75 | 6.01 | 5.72 | 5.49 | 6.69 | 6.06 | 6.13 |
| Norway | 11.00 | 12.30 | 12.50 | 12.40 | 13.00 | 13.20 | 13.20 | 13.50 | 17.00 | 14.00 | 14.00 |
| Spain | 20.30 | 16.98 | 12.18 | 9.92 | 8.50 | 10.54 | 11.25 | 12.20 | 12.04 | 12.03 | 12.26 |
| Sweden | 9.31 | 11.52 | 11.88 | 11.83 | 13.00 | 11.10 | 10.83 | 11.58 | 11.33 | 10.00 | 10.00 |
| Switzerland | 1.25 | 1.88 | 1.50 | 2.00 | 2.00 | 1.75 | 2.25 | 2.25 | 2.00 | 1.75 | 2.25 |
| United Kingdom | 6.70 | 7.78 | 6.31 | 9.72 | 11.59 | 11.16 | 12.09 | 8.96 | 8.55 | 10.53 | 8.98 |
| Australia | 10.87 | 4.55 | 10.98 | 18.37 | 18.32 | 18.16 | 16.74 | 15.06 | 12.31 | 13.20 | 13.85 |
| Japan | 6.92 | 6.44 | 6.41 | 8.02 | 6.84 | 5.78 | 5.53 | 4.70 | 4.21 | 4.40 | 4.47 |
| South Africa | 14.15 | 16.06 | 21.13 | 12.50 | 12.00 | 11.25 | 11.75 | 12.00 | 10.63 | 10.69 | 10.75 |
| Argentina* | 12.77 | 14.65 | 17.75 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 5.00 | 5.00 |
| Brazil | 150.42 | 184.69 | 272.02 | 352.23 | 541.33 | 376.24 | 15.12 | 16.64 | 15.50 | 18.30 | 25.93 |
| Hong Kong | 9.13 | 13.90 | 6.80 | 6.10 | 5.93 | 6.63 | 6.48 | 7.81 | 6.02 | 6.91 | 5.95 |
| Korea | 13.84 | 11.40 | 10.00 | 8.80 | 8.50 | 9.40 | 9.70 | 11.00 | 10.30 | 10.00 | 10.60 |
| Philippines | 16.12 | 31.18 | 15.22 | 15.03 | 11.72 | 21.08 | 17.83 | 15.62 | 12.43 | n.a. | n.a. |
| Singapore | 11.45 | 7.05 | 6.01 | 4.53 | 4.84 | 5.75 | 4.85 | 4.82 | 5.07 | 4.49 | 3.73 |
| Taiwan | 9.94 | 7.65 | 8.07 | 4.50 | 4.25 | 5.25 | 3.54 | 3.75 | 3.50 | 4.53 | 3.50 |

*Percent per month.

# Treasury bill rates

*bond equivalent yields, at or near end of month*

| | 1982 | 1983 | 1984 | 1985 | 1986 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul |
| *United States* | 8.15 | 9.28 | 7.99 | 7.25 | 7.15 | 7.23 | 6.50 | 6.24 | 6.45 | 6.13 | 5.93 |
| *Canada* | 9.80 | 9.71 | 9.84 | 9.24 | 10.55 | 11.55 | 10.19 | 9.02 | 8.33 | 8.59 | 8.36 |
| *Belgium* | 12.42 | 11.00 | 10.90 | 9.89 | 9.89 | 9.89 | 9.89 | 8.36 | 7.71 | 7.45 | 7.45 |
| *Ireland* | 15.25 | 12.01 | 15.10 | 11.15 | 14.32 | 15.02 | 12.08 | 9.69 | 8.76 | 9.16 | 10.13 |
| *Italy* | 19.11 | 16.95 | 14.69 | 13.10 | 13 73 | 13.59 | 13.15 | 12.39 | 11.23 | 10.78 | 10.71 |
| *Netherlands* | 5.63 | 5.63 | 5.88 | 5.69 | 5.72 | 6.13 | 5.56 | 6.88 | 6.50 | 5.88 | 5.75 |
| *Spain* | 15.28 | 14.46 | 12.00 | 9.25 | 9.25 | 9 25 | 9.25 | 9.25 | n.t. | n.t. | n.t. |
| *Sweden* | 12.90 | 11.75 | 11.83 | 12.49 | 11.70 | 11.14 | 10.63 | 10.19 | 9.90 | 9.85 | 9.29 |
| *United Kingdom* | 9.96 | 9.04 | 9.33 | 11.49 | 12.47 | 12.21 | 11.04 | 10.09 | 9.56 | 9.52 | 9.76 |
| *Australia* | 9.39 | 8.54 | 12.27 | 19.40 | 18.46 | 17.03 | 14.88 | 12.84 | 12.78 | 12.38 | 14.98 |
| *Japan* | 5.42 | 4.91 | 4.91 | 4.91 | 4.91 | 4.41 | 3.90 | 3.39 | 3.39 | 3.39 | 3.39 |
| *New Zealand* | 11.25 | 7.80 | 13.50 | 17.62 | 18.27 | 18.48 | 21.64 | 20.41 | 17.34 | 15.64 | 16.75 |
| *South Africa* | 14.62 | 18.43 | 21.94 | 12.99 | 12.02 | 11.96 | 11.97 | 11.58 | 11.02 | 10.75 | 10.22 |
| *Brazil* | 115.40 | 179.15 | 273.03 | 379.77 | n.t. | n.t. | 15.40 | 16 79 | 15.90 | 18.60 | 26.30 |
| *Mexico* | 57.44 | 53.78 | 48.67 | 72.98 | 74.89 | 77 75 | 78.78 | 80.84 | 80.74 | 88.50 | n.t. |
| *Philippines* | 14.54 | 15.99 | 47.14 | 16.45 | 16.68 | 23.43 | 23.56 | 19.65 | 15.79 | n.a. | n.a. |
| *Singapore* | 2.74 | 2.59 | 2.91 | 2.94 | 2.96 | 2.80 | 2.64 | 2.58 | 2.35 | 2.42 | 2.54 |

# Representative money market rates

*bond-equivalent yields on major short-term (mostly 3-4 month) money market instruments other than Treasury bills, at or near end of month*

| | 1982 | 1983 | 1984 | 1985 | 1986 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul |
| *United States* | 8.94 | 9.89 | 8.34 | 8.01 | 7.91 | 7.80 | 7.34 | 7.17 | 6.96 | 6.75 | 6.52 |
| *Canada* | 9.95 | 9.87 | 10.10 | 9.45 | 11.25 | 12.05 | 10.80 | 8.85 | 8.65 | 8.65 | 8.55 |
| *Belgium* | 12.52 | 11.15 | 10.85 | 9.89 | 9.89 | 9.89 | 8.52 | 8.11 | 7.71 | 7.40 | 7.40 |
| *France* | 12.75 | 12.19 | 10 69 | 9.12 | 8.93 | 8.57 | 8.37 | 7.50 | 7.24 | 7.24 | 7.13 |
| *Germany* | 6.20 | 6.30 | 5.75 | 4.80 | 4.60 | 4.35 | 4.65 | 4 60 | 4 60 | 4.55 | 4.65 |
| *Ireland* | 15.75 | 12.19 | 15.13 | 12.00 | 15.25 | 16.25 | 14.63 | 10.75 | 10.25 | 9.25 | 10.75 |
| *Italy* | 19.00 | 17.88 | 16.88 | 15.13 | 16 00 | 16.75 | 15.00 | 12.75 | 12.13 | 12.25 | 11.38 |
| *Netherlands* | 5.25 | 6.00 | 5.75 | 5.75 | 5.81 | 5.88 | 5.50 | 5.56 | 6.00 | 6.19 | 5.56 |
| *Portugal* | 15.05 | 24.11 | 24.57 | 20.71 | 18.28 | 18 55 | 18 75 | 17.76 | 17.07 | n.a. | n.a. |
| *Spain* | 16 98 | 19.00 | 12.21 | 10.51 | 10 68 | 10.72 | 11.59 | 12.27 | 11.63 | 12.06 | 12.51 |
| *Switzerland* | 3.88 | 3.88 | 5.00 | 4.75 | 4.43 | 4.13 | 4.06 | 4.50 | 4.69 | 5.50 | 4.88 |
| *United Kingdom* | 10.50 | 9.31 | 9.88 | 12.75 | 12.75 | 12.25 | 11.06 | 10.13 | 9.69 | 9.75 | 9.88 |
| *Australia* | 9.85 | 9.05 | 12.90 | 19.75 | 18.75 | 18.00 | 16.20 | 16.10 | 14.85 | 14.80 | 15.10 |
| *Japan* | 6.96 | 6.45 | 6.33 | 7.03 | 6.12 | 5 92 | 5.16 | 4 53 | 4 66 | 4.64 | 4.65 |
| *New Zealand* | 16.50 | 11.75 | 15.00 | 20 00 | 23 50 | 23 50 | 22 30 | 21.30 | 16.10 | 17.10 | 16.80 |
| *South Africa* | 15.26 | 19.12 | 22.78 | 13.35 | 12.55 | 12.40 | 12.35 | 11.95 | 11.25 | 10.80 | 10.55 |
| *Chile* | 55.90 | 20.68 | 20.68 | 22.42 | 19.56 | 19.56 | 14.03 | 19.56 | 12.68 | 14.03 | 15.39 |
| *Hong Kong* | 9.25 | 14.88 | 8.25 | 6.50 | 6.63 | 6.81 | 7.25 | 7.81 | 6.02 | 6.75 | 6.31 |
| *Indonesia* | 18.50 | 19.50 | 19.00 | 15.00 | 14.50 | 14 50 | 20.25 | 16.50 | 16.00 | 15.00 | 15.00 |
| *Korea* | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 |
| *Malaysia* | 8.50 | 9.80 | 10.30 | 8.20 | 8.30 | 8.70 | 8.75 | 15.00 | 9 80 | 10.00 | 9.80 |
| *Philippines* | 15.96 | 15.61 | 33.21 | 14.61 | 23.05 | 26.05 | 26.45 | 19.32 | 14.57 | n.a. | n.a. |
| *Singapore* | 8.69 | 8.44 | 7.00 | 5 88 | 5.53 | 5.31 | 5.00 | 4.94 | 5.06 | 4.88 | 4.31 |
| *Taiwan* | n.a. | 8.07 | 7.85 | 4.10 | 3.17 | 3.10 | 3.37 | 3.99 | 3.58 | 3.68 | 3.27 |
| *Thailand* | 12.25 | 16.00 | 12.00 | 15.50 | 11.50 | 11.25 | 10.00 | 10.00 | 9.50 | 8.50 | 8.00 |

# Commercial bank deposit rates

*at or near end of month*

| | 1982 | 1983 | 1984 | 1985 | 1986 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul |
| United States | 8.25 | 9.70 | 8.35 | 7.75 | 7.75 | 7.60 | 7.16 | 6.55 | 6.82 | 6.65 | 6.33 |
| Canada | 9.85 | 9.82 | 10.05 | 9.40 | 11.20 | 12.00 | 10.75 | 8.80 | 8.60 | 8.60 | 8.50 |
| Austria | 6.25 | 6.50 | 7.50 | 6.50 | 6.25 | 6.38 | 5.50 | 4.88 | 5.19 | 5.13 | 5.13 |
| Belgium | 12.25 | 11.25 | 10.63 | 9.63 | 9.88 | 9.75 | 9.63 | 8.13 | 7.31 | 7.19 | 7.25 |
| Denmark | 9.00 | 6.00 | 6.00 | 7.00 | 7.00 | 7.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 |
| Finland | 4.25 | 5.25 | 5.25 | 4.75 | 4.25 | 4.25 | 3.75 | 3.75 | 2.75 | 2.75 | 2.75 |
| France | 8.24 | 7.66 | 7.04 | 6.12 | 6.03 | 6.02 | 5.88 | 5.72 | 4.50 | 4.50 | 4.50 |
| Germany | 6.00 | 5.90 | 5.25 | 4.40 | 4.25 | 4.25 | 4.15 | 4.35 | 4.35 | 4.35 | 4.45 |
| Ireland | 15.25 | 11.75 | 14.63 | 11.87 | 15.25 | 16.00 | 14.50 | 10.75 | 10.00 | 9.00 | 10.00 |
| Italy | 13.25 | 13.25 | 11.64 | 11.85 | 11.75 | 11.75 | 11.75 | n.a. | n.a. | n.a. | n.a. |
| Netherlands | 5.38 | 6.13 | 5.69 | 5.81 | 5.69 | 5.75 | 5.38 | 5.44 | 5.88 | 6.06 | 5.44 |
| Norway | 13.50 | 12.75 | 12.75 | 12.00 | 12.25 | 12.25 | 12.25 | 12.25 | 12.25 | 13.00 | 13.00 |
| Portugal | 15.00 | 21.50 | 28.00 | 20.00 | 20.00 | 20.00 | 20.00 | 18.50 | 18.50 | 15.50 | n.a. |
| Spain | 12.53 | 12.62 | 11.64 | 9.64 | 9.61 | 9.59 | 9.11 | 9.42 | 9.20 | 9.04 | n.a. |
| Sweden | 12.15 | 11.70 | 11.45 | 12.18 | 12.45 | 11.45 | 11.00 | 10.65 | 10.60 | 10.10 | 9.80 |
| Switzerland | 3.00 | 3.50 | 4.50 | 4.50 | 4.25 | 3.94 | 3.81 | 4.25 | 4.44 | 5.25 | 4.63 |
| United Kingdom | 10.31 | 9.31 | 9.88 | 11.75 | 12.75 | 12.13 | 11.06 | 10.13 | 9.69 | 9.63 | 9.88 |
| Australia | 10.20 | 10.40 | 12.75 | 18.80 | 18.63 | 17.95 | 16.13 | 14.68 | 14.21 | 14.00 | 14.60 |
| Japan | 7.00 | 6.40 | 6.38 | 7.05 | 6.24 | 6.10 | 5.32 | 4.80 | 4.90 | 4.65 | 4.70 |
| New Zealand | 16.50 | 11.75 | 15.25 | 19.98 | 22.99 | 23.55 | 20.56 | 20.16 | 16.42 | n.a. | n.a. |
| South Africa | 15.25 | 20.13 | 22.88 | 13.20 | 12.70 | 12.65 | 12.60 | 12.00 | 11.40 | 11.00 | 10.80 |
| Argentina* | 8.50 | 14.50 | 31.23 | 5.40 | 5.40 | 4.75 | 4.50 | 4.34 | 4.25 | 4.28 | 4.48 |
| Brazil | 21.00 | 23.00 | 27.00 | 18.00 | 18.00 | 18.50 | 21.00 | 21.50 | 26.00 | 29.00 | 30.00 |
| Chile | 47.09 | 20.57 | 20.68 | 23.60 | 22.27 | 23.60 | 16.30 | 19.98 | 13.62 | 15.94 | 16.49 |
| Hong Kong | 9.25 | 14.88 | 8.25 | 6.50 | 6.63 | 6.81 | 7.25 | 7.81 | 6.02 | 6.75 | 6.31 |
| Korea | 7.60 | 7.60 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 |
| Malaysia | 8.40 | 7.75 | 9.58 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| Mexico | 52.54 | 57.15 | 47.45 | 72.90 | 73.80 | 75.75 | 79.55 | 80.20 | 80.00 | 85.50 | n.a. |
| Philippines | 14.10 | 14.96 | 31.01 | 12.34 | 11.66 | 13.24 | 14.17 | 12.37 | 14.63 | n.a. | n.a. |
| Singapore | 8.25 | 7.44 | 6.13 | 5.26 | 5.01 | 5.01 | 4.94 | 4.76 | 4.94 | 4.82 | 4.26 |
| Taiwan | 7.50 | 7.00 | 6.50 | 5.25 | 5.25 | 5.75 | 4.75 | 4.50 | 4.50 | 4.50 | 4.50 |
| Thailand | 10.00 | 10.00 | 13.00 | 10.50 | 10.50 | 11.00 | 10.50 | 8.50 | 8.50 | 8.50 | 7.50 |
| Venezuela | 15.50 | 12.00 | 12.50 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 9.00 | 9.00 |

*Percent per month.

# Domestic government bond yields

*long-term issues, at or near end of month*

| | 1982 | 1983 | 1984 | 1985 | 1986 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul |
| United States | 10.61 | 12.00 | 11.61 | 9.49 | 9.45 | 8.31 | 7.50 | 7.70 | 8.37 | 7.79 | 7.88 |
| Canada | 11.69 | 12.02 | 11.66 | 10.04 | 10.49 | 9.96 | 9.54 | 9.32 | 9.52 | 9.42 | 9.36 |
| Austria | 8.81 | 8.02 | 8.04 | 7.61 | 7.62 | 7.68 | 7.63 | 9.00 | 7.14 | 7.19 | 7.20 |
| Belgium | 12.66 | 11.89 | 11.56 | 9.60 | 9.62 | 9.38 | 8.41 | 7.46 | 7.93 | 7.86 | 7.47 |
| Denmark | 20.14 | 12.96 | 14.60 | 9.67 | 10.12 | 9.27 | 9.26 | 8.63 | 10.17 | 10.17 | 10.64 |
| Finland | 10.64 | 11.16 | 10.73 | 10.58 | 9.74 | 9.96 | 8.77 | 8.89 | 8.27 | 8.27 | 8.25 |
| France | 15.40 | 13.96 | 12.70 | 11.33 | 10.79 | 10.00 | 9.19 | 8.53 | 8.58 | 8.65 | 7.64 |
| Germany | 7.90 | 8.38 | 7.17 | 6.57 | 6.64 | 6.32 | 6.21 | 5.78 | 6.31 | 6.17 | 6.07 |
| Ireland | 14.54 | 14.25 | 14.90 | 11.84 | 11.92 | 10.68 | 9.35 | 8.57 | 9.17 | 9.31 | 10.33 |
| Italy | 19.70 | 17.69 | 14.52 | 13.66 | 13.43 | 13.80 | 13.35 | 12.27 | 10.87 | 10.85 | 11.07 |
| Netherlands | 8.16 | 8.58 | 7.72 | 6.96 | 6.81 | 6.84 | 6.44 | 6.15 | 6.39 | 6.38 | 6.22 |
| Norway | 13.32 | 12.50 | 12.00 | 13.10 | 13.10 | 13.20 | 12.80 | 12.80 | 12.80 | 13.10 | 13.42 |
| Portugal | 16.63 | 22.11 | 22.23 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Spain | 15.46 | 17.25 | 13.93 | 12.30 | 12.35 | 12.36 | 12.22 | 12.06 | 11.44 | 10.98 | 11.52 |
| Sweden | 13.01 | 12.30 | 12.04 | 12.11 | 12.23 | 11.60 | 10.81 | 9.81 | 10.06 | 9.79 | 9.76 |
| Switzerland | 4.23 | 4.53 | 4.60 | 4.42 | 4.42 | 4.27 | 4.16 | 4.24 | 4.39 | 4.49 | 4.39 |
| United Kingdom | 10.62 | 9.94 | 10.25 | 10.35 | 10.56 | 9.83 | 8.75 | 8.73 | 9.11 | 9.32 | 9.45 |
| Australia | 13.00 | 13.65 | 13.50 | 14.85 | 14.10 | 13.70 | 12.60 | 12.25 | 12.65 | 12.95 | 14.02 |
| Japan | 7.96 | 7.45 | 6.47 | 5.92 | 5.57 | 5.33 | 4.67 | 4.79 | 5.57 | 4.90 | 4.83 |
| New Zealand | 12.84 | 10.50 | 16.90 | 17.00 | 18.75 | 18.30 | 18.90 | 16.80 | 15.50 | 15.20 | 16.24 |
| South Africa | 11.31 | 13.64 | 16.55 | 18.09 | 17.57 | 17.30 | 17.65 | 17.40 | 17.09 | 16.99 | 16.00 |
| Philippines | 13.64 | 14.47 | 18.54 | n.t. | n.t. | n.t. | n.t. | n.t. | n.t. | n.a. | n.a. |
| Venezuela | 15.00 | 13.50 | 14.00 | 12.00 | 12.25 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 |

# Commercial bank lending rates to prime borrowers

*at or near end of month*

| | 1982 | 1983 | 1984 | 1985 | 1986 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul |
| United States | 11.50 | 11.00 | 10.75 | 9.50 | 9.50 | 9.50 | 9.00 | 8.50 | 8.50 | 8.50 | 8.00 |
| Canada | 12.50 | 11.00 | 11.25 | 10.00 | 11.50 | 13.00 | 12.00 | 11.25 | 10.25 | 10.25 | 9.75 |
| Austria | 11.75 | 9.25 | 9.25 | 9.00 | 9.00 | 9.25 | 9.25 | 9.25 | 9.25 | 9.00 | 9.00 |
| Belgium | 15.50 | 13.75 | 14.00 | 11.50 | 12.25 | 12.25 | 11.50 | 10.50 | 10.50 | 9.75 | 9.75 |
| Denmark | 14.00 | 10.00 | 10.50 | 8.50 | 8.50 | 8.50 | 7.50 | 7.50 | 7.50 | 7.50 | 7.50 |
| Finland | 8.95 | 10.18 | 10.68 | 10.37 | 9.90 | 9.90 | 9.49 | 9.49 | 8.78 | 8.82 | n.a. |
| France | 12.25 | 12.25 | 12.00 | 10.60 | 10.60 | 10.60 | 10.60 | 10.10 | 9.60 | 9.60 | 9.60 |
| Germany | 8.75 | 7.75 | 7.75 | 7.25 | 7.25 | 7.25 | 6.75 | 6.75 | 6.75 | 6.75 | 6.75 |
| Ireland | 16.50 | 13.75 | 15.75 | 12.50 | 14.50 | 17.50 | 17.50 | 14.50 | 13.50 | 12.25 | 12.25 |
| Italy | 20.75 | 18.75 | 18.00 | 15.38 | 15.88 | 16.00 | 16.00 | 15.25 | 14.50 | 13.50 | 13.50 |
| Netherlands | 6.25 | 7.00 | 6.25 | 6.25 | 6.25 | 6.38 | 6.00 | 6.00 | 7.00 | 6.75 | 6.50 |
| Norway | 14.50 | 13.50 | 13.00 | 12.40 | 13.50 | 14.00 | 13.75 | 13.75 | 14.75 | 15.50 | 15.25 |
| Portugal | 23.50 | 30.00 | 29.00 | 22.50 | 22.50 | 22.50 | 22.50 | 21.00 | 21.00 | 18.00 | n.a. |
| Spain | 16.90 | 17.31 | 15.84 | 14.75 | 14.66 | 14.58 | 14.58 | 14.52 | 14.50 | 14.44 | 14.37 |
| Sweden | 15.00 | 13.50 | 14.50 | 15.05 | 14.00 | 14.00 | 13.00 | 12.75 | 12.75 | 12.75 | 12.75 |
| Switzerland | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 5.75 | 5.75 | 5.75 |
| United Kingdom | 10.00 | 9.00 | 9.50 | 11.50 | 12.50 | 12.50 | 11.50 | 10.50 | 10.00 | 10.00 | 10.00 |
| Australia | 16.00 | 12.75 | 14.00 | 21.00 | 20.60 | 20.50 | 19.75 | 19.00 | 18.25 | 18.00 | 17.00 |
| Japan | 6.28 | 5.89 | 5.70 | 5.71 | 5.70 | 5.64 | 5.42 | 5.18 | 5.04 | 4.95 | 4.71 |
| New Zealand | 13.00 | 11.00 | 14.00 | 21.00 | 21.00 | 20.00 | 21.00 | 22.00 | 21.00 | 18.00 | 17.00 |
| South Africa | 18.00 | 20.00 | 24.00 | 16.50 | 15.50 | 15.50 | 15.50 | 15.50 | 14.50 | 14.50 | 14.50 |
| Argentina* | 9.00 | 15.50 | 32.05 | 7.30 | 7.00 | 6.40 | 5.25 | 4.80 | 5.52 | 5.35 | 5.57 |
| Brazil | 23.81 | 24.00 | 31.00 | 19.00 | 19.00 | 19.50 | 21.00 | 22.50 | 26.00 | 29.00 | 32.00 |
| Chile | 64.11 | 30.90 | 60.82 | 33.34 | 33.46 | 38.07 | 31.76 | 31.99 | 30.60 | 29.38 | 28.77 |
| Hong Kong | 10.50 | 13.50 | 11.00 | 7.00 | 7.00 | 7.00 | 8.00 | 8.00 | 7.50 | 7.50 | 7.50 |
| Indonesia | 22.00 | 19.75 | 23.50 | 18.75 | 18.50 | 20.00 | 20.00 | 19.50 | 19.00 | 19.00 | 18.75 |
| Korea | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Malaysia | 12.50 | 11.00 | 12.00 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 | 10.50 |
| Mexico | 46.12 | 56.44 | 47.54 | 65.66 | 68.55 | 70.30 | 71.79 | 73.48 | 75.02 | 76.97 | 81.36 |
| Philippines | 18.00 | 18.00 | 44.00 | n.t. | n.t. | n.t. | n.t. | n.t. | n.t. | n.a. | n.a. |
| Singapore | 9.33 | 8.98 | 9.40 | 7.20 | 7.20 | 7.20 | 7.18 | 7.15 | 7.15 | 7.15 | 7.05 |
| Taiwan | 10.75 | 10.25 | 10.00 | 9.50 | 9.50 | 9.50 | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 |
| Thailand | 16.00 | 16.00 | 16.50 | 15.50 | 15.50 | 15.50 | 14.00 | 14.00 | 14.00 | 14.00 | 13.00 |
| Venezuela | 17.00 | 16.00 | 16.00 | 13.00 | 13.00 | 13.00 | 13.00 | 13.00 | 13.00 | 14.00 | 14.00 |

# Domestic corporate bond yields

*long-term issues, at or near end of month*

| | 1982 | 1983 | 1984 | 1985 | 1986 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Dec | Dec | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul |
| United States | 11.75 | 12.63 | 12.25 | 10.15 | 10.38 | 9.00 | 8.63 | 9.00 | 9.20 | 9.00 | 9.25 |
| Canada | 12.74 | 12.89 | 12.42 | 10.74 | 12.08 | 12.95 | 12.46 | 12.24 | 10.35 | 10.10 | 10.19 |
| France | 15.86 | 14.35 | 12.94 | 11.76 | 11.38 | 10.81 | 10.13 | 9.82 | 9.44 | 9.85 | 8.36 |
| Germany | 8.20 | 8.30 | 7.20 | 6.90 | 6.80 | 6.80 | 6.70 | 6.60 | 6.40 | 6.50 | 6.60 |
| Netherlands | 7.80 | 8.51 | 7.51 | n.t. | n.t. | 6.86 | 6.53 | n.t. | n.t. | n.t. | n.t. |
| Norway | 14.13 | 13.25 | 12.75 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 | 14.25 | 14.90 |
| Spain | 17.10 | 20.07 | 18.32 | 14.92 | 14.87 | 14.82 | 14.40 | 13.91 | 13.99 | 13.71 | 13.22 |
| Sweden | 13.37 | 12.21 | 12.33 | 13.25 | 13.21 | 12.73 | 11.99 | 10.93 | 11.20 | 11.04 | 10.88 |
| Switzerland | 5.80 | 4.92 | 5.09 | 4.93 | 4.78 | 4.71 | 4.64 | 4.96 | 4.77 | 4.83 | 4.84 |
| United Kingdom | 12.34 | 11.57 | 11.64 | 11.47 | 11.59 | 10.88 | 9.96 | 9.80 | 10.05 | 10.32 | 10.49 |
| Japan | 7.55 | 7.09 | 6.21 | 6.90 | 6.70 | 5.96 | 5.40 | 5.14 | 5.20 | 5.14 | 4.74 |
| Korea | 16.00 | 14.20 | 15.00 | 13.60 | 13.00 | 12.60 | 12.40 | 12.40 | 12.80 | 12.80 | 12.90 |
| Venezuela | 18.00 | 18.00 | 18.00 | 17.00 | 17.50 | 17.00 | 17.00 | 17.00 | 17.00 | 17.00 | 17.00 |

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